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TOPICS OF THE MONTH

BANKING STABILITY

ADDRESSING the New York Credit Men's Association, Paul M. Warburg defined the great purpose of the Federal Reserve Act thus:

> Is it not, in substance, to increase the safety of our banking structure and to bring about stability and, so far as possible, equalization of interest rates in the various sections of the country?

Fifteen months of experience with the Federal Reserve Act gives justification for this statement in interrogative form. There has been success in increasing the safety of the banking structure. Fear of panic has vanished. There is confidence that any shock can be withstood. This is the notable achievement of the Reserve Act and it is the immediate result of the provision for the rediscount of commercial paper and the issuance of notes against credits thus obtained.

There has been to some extent an equalization of interest rates. There will never again be witnessed the unsatisfied demand for funds for commercial purposes that sent interest rates up to prohibitive figures. The creation of bank and trade acceptances has had a marked influence. The removal of the present restrictions on the former will have a further tendency to equalize interest rates. Success in this direction through this means has no particular relation to the question of interest rates as they are viewed by the Comptroller of the Currency and the members of Congress, who want interest charges by banks investigated and regulated or restrained by legal enactment.

In connection with the question of interest rates in the broad field of commercial banking the following statement by Mr. Warburg is of importance:

> Equalization of discount rates is dependent upon standardization of credit, and it cannot be brought about by legislative enactment or government machinery, but only by the action of the banks and business men themselves. Farmer Jones may be able to secure money from his bank on his own note only at 6, 7 or 8 per cent., but if he can store his grain or cotton with a properly organized warehouse and secure the acceptance of a good bank, the bill will sell at the lowest rate, provided the accepting bank is sound. It does not matter whether money at that time be higher at New Orleans or Minneapolis than at Chicago or New York; if the New Orleans or Minneapolis banks' acceptances are good they will sell substantially at the same low rate as those of the banks in Chicago and New York. Raise the standard of banking and warehousing—use modern banking methods—and equalization of interest rates must follow automatically. No law will ever remove the difference between good and bad. There are different grades in cotton and grain,

and, similarly, there are different grades in credit. We cannot equalize credit, but we can bring about equalization of interest rates for similar grades of credit all over the country.

COMMERCIAL BANKING

Fifty years of experience under a banking system which confused commercial banking with all other kinds and all other kinds with commercial banking has left what seems to be an ineradicable trace on the new banking system. National banks, facing competition from state institutions not subjected to similar restraints have been inclined to welcome the provision which permits the Federal Reserve Board to confer trust company powers on them. State banks have objected to such an expansion of the powers of national banks, not because they have any particular fear that commercial banking will be contaminated, but they desire to keep the advantages they have over their competitors.

This statement has no application to the suit brought by the five trust companies of Michigan to test the constitutionality of Section 11 (k) of the Reserve Act. In Michigan trust companies cannot do banking business and state banks cannot do trust business. The incongruity of the situation is made apparent when the Federal government undertakes to confer on national banks powers which the state has denied to banks incorporated under its own statutes.

The Michigan situation is probably the result of accident. The national banks there, feeling that there was opportunity for trust company activity, proposed and outlined the law authorizing the organization of trust companies. This law forbade trust companies to do banking business because the national banks did not want such competition. It is doubtful if the national banks considered the question of commercial banking.

In most of the states the laws permit state banks to do all kinds of banking business, including the exercise of trust company functions. How this came about is not material. The important thing is that it came about and that it promotes the confusion of ideas about the various kinds of banking business. Theoretically and ideally commercial banks should confine themselves to commercial banking; trust companies should confine themselves to fiduciary matters and savings business should be done by savings banks. Again—theoretically—if the various kinds of banking business are done by a single institution the departments should not be mixed up with one another. Practically, and because of the banking laws of the states and the apparent desire of bankers to engage in all branches of banking, reformation seems to be out of the question, but the situation contains no reason for permitting national banks to step outside the field of commercial banking. The tendency to demand this and to permit it finds its impulse in the desire of national banks to compete on equal terms with state institutions. Moreover, in the towns and smaller cities there is not enough banking business of a single kind for one bank or trust company. To serve the community adequately one bank must do various kinds of business.

It was hoped, if not expected, that the Federal Reserve Act would exert a harmonizing influence. With all eligible banks as members of the system, the development of the banking scheme toward unification was possible and probable. Early discussion of banking reform plans excluded state banks from membership in the proposed system. Subsequently it was decided to admit them to the end that the banking strength of the country might be co-ordinated and mobilized for the common benefit. The state banks have not joined the Federal reserve system. Even state institutions, whose business is all but exclusively commercial, have no apparent intention of that kind at present. They are waiting for the Reserve Act to develop and, if it develops as it should and may, they will find it to their advantage to join the system if the business they do is largely in the nature of commercial banking.

PANIC AND STATE BANKS

There have been broad intimations that another panic will drive the state banks into the Federal reserve system. This suggestion bespeaks a lack of confidence in the Reserve Act. If there is a panic the Reserve Act will have failed to perform its functions and to accomplish the first purpose of its makers. It is hairsplitting to assert that the state banks, being outside the system, may develop a little panic of their own. State bankers know, and everyone else knows, that even that kind of a panic is impossible. The Federal Reserve Board,

whether it likes it or not, will have to protect the state banks because to protect the state banks in such an event is to protect the country.

Instead of harmonizing the different kinds of banks and the different kinds of banking the Federal Reserve Act has apparently had the opposite effect. Rivalry between state and national banks is keener than ever and it springs from the difference in the laws under which they are organized. Efforts to have state laws modified so as to remove all doubt of their contravention by the application of Section 11 (k) of the Reserve Act have intensified the condition. The state banks think they have more reason for not joining the system now than they had a year ago.

The whole question, starting with the matter of commercial banking, works round to illustrate some defects in the Federal Reserve Act itself. Speaking of competition by the reserve banks with their members, Mr. Warburg said, in the address mentioned above, that the reserve banks must compete or not compete as the best interests of the people dictate. Superficially this is a fair statement, but there is involved the question of who shall judge what is to the best interests of the people. "Cheap money and plenty of it" is considered by many men as a matter that is best for the interests of the people. The advocates of it would defy economic law and disregard precedent and experience in carrying their notions that this is best for the people to a conclusion by which the correctness of their views can be tested. Torturing the words of the Federal Reserve Act into such a meaning and applying it, directly or indirectly, for such a purpose is a departure from the obvious intention of the Act and an impairment of its efficiency. It is bound to cause antagonisms which will retard progress and adversely affect confidence.

RESERVE BOARD'S POLICY

While the members of the Federal Reserve Board may not regard the attitude of the Comptroller of the Currency toward banks as a matter which particularly concerns them or is related to the development of the reserve system, it is nevertheless a matter of pertinence and importance. The Comptroller is a member of the Reserve Board. He is more particularly a part of the administration which regards the Reserve Act as its greatest achievement than any other member except the Secretary of the Treasury. What he does in his own department is legitimately construed as having a direct bearing on the development of the Reserve Act itself. In the same way the conduct of the Secretary of the Treasury in regard to the distribution of government deposits and of the president in writing a letter in which he expressed the hope that the rate on loans to cotton producers would be as low as 1 or 2 per cent. are matters affecting the development of the reserve system. They indicate the policy of the administration, whether this policy is consonant with that regarded as best by a majority of the members of the Federal Reserve Board or not. In the same category with these evidences of administration policy is the opinion of the Attorney-General in regard to the Reserve Board's power to decrease the number of reserve banks and alter the boundaries of the reserve districts. Once this opinion was given it was plain that the question of the number of banks had become a matter of political policy and that the best service by the banks to the country was not a question to be otherwise determined.

USURY

The matter of so-called usury is of the same character. The Rules Committee of the House of Representatives has been in consultation with the Comptroller of the Currency as to his discovery of exorbitant interest charges and it is reported that the Banking and Currency Committee will favor a bill imposing penalties for such charges. Representative Howard, of Georgia, has presented a resolution calling for a Congressional investigation of the rates of interest charged by banks or by southern and western banks particularly. In the reported discussion of the subject by the committee and the Comptroller there was some departure from the original generalization. The Comptroller's statements were less sweeping and less inclusive. There was room for an inference that there might be a bank here and there which charged fair rates, but the citation of instances of extortion was placed in the spotlight.

The Comptroller favored a law making usury a criminal offense. He favored legal authorization for the Department of Justice to proceed against usurers and intimated that he would take action to have the charters of some of the worst offenders

annulled. He had also thought, he told the Committee on Rules, that he might require all national banks to print at the top of their report a statement of their usurious loans in the hope that such "pitiless publicity" would prove corrective.

In the reports of the discussion there was apparently no attempt to define usury or to have it redefined by statute. The assumption was that any rate in excess of that prescribed by state law is usury and that an inhibitive statute is all that is necessary to prevent a charge above the prescribed rate, provided the law is enforced.

There have been laws forbidding and punishing usury for all the years that have intervened since Deuteronomy was written. Usury is a subject that has interested statesmen, rulers, sentimentalists and economists from the beginning, and there has been no further agreement than that capital is entitled to reward for its use.

In this country high interest rates have been one of the prices paid for a system of free and independent banking. Banks are profit-making institutions. It has been the prideful political theory that branch banking tends to monopoly and centralization. The independent banking scheme, with each bank separately capitalized, officered and equipped, is expensive. The people who are supposed to have a preference for this system are supposed also to be willing to pay the cost.

As Mr. Warburg has pointed out, some progress has been made in equalizing interest rates. "Use modern banking methods," he said, "and equalization of interest rates must follow automatically."

By "modern banking methods" Mr. Warburg means particularly the revolution of the business custom of producing all but exclusively single name commercial paper. The substitution of two or three-name paper in the form of the acceptance must be brought about by business. The sooner this is done—the sooner business creates large quantities of bills—the sooner will interest rates be equalized and lowered and the greater will be the stability of the banking situation.

Such change in business custom will aid materially in bringing commercial banking to a commercial basis. Loans will be made against existing values. Credit methods will be simplified and, in respect to this form of banking, there will be no discussion of usury and no occasion for it.

The Comptroller's allegations, however, probably do not grow out of what may be termed commercial banking operations. His specifications are defective in this respect. The instances he has cited are those that present aggravated features; they appeal to the sympathies of the readers and are designed, intentionally or otherwise, to bring practically all banks into disrepute. Whatever the statutory regulations, and however they may be enforced, there will always be cases of abuse in money lending. There will always be "different grades of credit;" the element of risk will always be a matter for determination by the lender and human nature would be written down to an impossible and undramatic level if there were not men ready to take advantage of another's necessities.

LAWS FORBIDDING USURY

The effectiveness of laws penalizing the charge of interest rates beyond those legally prescribed is open to doubt. None has yet been devised that ingenuity has not circumvented. Frequently the courts are parties to the process of circumvention. In Tennessee, for instance, where the prescribed legal rate of interest is 6 per cent. and where the banks assert they cannot survive at that rate, the supreme court has decided that a note may be bought by a bank at any rate of discount but it must be a non-interest bearing note. In other words, the court holds to the letter of the law that where the rate of interest is specified it must not be in excess of that permitted by statute but the court would not undertake to reconcile the statute with economic law or business custom.

The Comptroller wants more laws because those in existence are ineffective. He says where usury is punishable as a crime there are no cases of extortion. He might have added that in many places where it is not punished as a crime, or where the statute is not enforced, there is no extortion. Such assertions prove nothing at all. The common American notion of a remedy for anything is a statute prohibiting or compelling something or other. The books are full of laws whose only purpose was to satisfy a demand that something be done.

Under no circumstances is there justification for the exorbitant rates of interest cited by the Comptroller to prove usurious practices. If the

risk in making a loan is so great that extortion is necessary the loan is a bad one. But minimum charges exacted by banks are necessary and legal interference therewith will have only the effect of preventing the making of small loans.

Banking affairs and the business of banking are slowly coming to be better understood. There is no popular outcry against interest rates. The cases of extortion cited are isolated and are due to local conditions. They have no bearing on the problems of commercial banking. So far as this form of banking is concerned Mr. Warburg's advice to use "modern banking methods" is the best. The development of such methods requires the cooperation of both bankers and business men. The economical use of banking resources, economy of bank administration, revision of the custom as to commercial paper, better credit organization and information are all necessary. It is equally necessary that business men learn the significance of commercial banking. Legislation punishing usury will have no appreciable effect in this field.

RESERVE REQUIREMENTS

A proposal that the reserves of country banks be reduced from 12 to 9 per cent. against demand deposits has been made by the Executive Committee of the National Bank Section. One reason for the proposal is that country banks have shown that they are desirous of maintaining their connections with their correspondent banks. It is probable that the 3 per cent. reduction would permit them to carry the balances, now counted as reserve, with reserve agents for exchange purposes.

An objection to the reduction was that the Reserve Act lowers to 5 per cent. the reserve against time deposits. It was stated that the only way in which the actual reserve carried by country banks could be accurately computed or accurately compared to the reserve requirements under the old banking system was to secure the average of the reserve held against all deposits. In some instances it will be found that the proportion of time to demand deposits is such that 7 or 8 per cent. is nearer the true reserve carried than 12, and that, in any event, the reduction in reserves was very much greater than is shown by the figures as to demand deposits. A recent statement from the Comptroller's office showed that for all country banks the demand deposits were more than two and one-half times greater than the time deposits. Of the former country banks had approximately $2,791,000,000 and of the latter $1,120,000,000.

When the reserve against one kind of deposit was made much lower than that required for another the law drew a line for which it must be assumed there was reason. Apparently 5 per cent. as a reserve against time deposits is ample. It provides enough cash with which to meet maturities and the banker is, of course, able to figure with accuracy what the requirements in this respect will be. There seems to be no reason why the reserve against time deposits should be considered as a part of the question of a reduction in reserves held against demand deposits. If the experience of fifteen months has shown, as it seems to have shown, that the reserve against demand deposits for country banks is more than ample, provided they have resources in the form of deposits with corespondents and presumably a line of quick assets, there is no reason why the change should not be made.

Reserve requirements in the Federal Reserve Act were in some measure a matter of guesswork. Under the old system there was no method of telling whether the minimum requirements for reserves were or were not adequate. The nature of a bank's business is the one certain index of what the amount of its reserves should be and when the law fixes the minimum for all banks regard is had for the average experience. In the Federal Reserve Act there was merely a reduction from the reserve requirements under the old system. Any change that is considered now should be based on the experience that has been had with the new system.

INCOME TAX AMENDMENT

The dispatches from Washington note the apparent intention of Congress to amend the income tax law. There are various plans for the amendment. It has been officially recommended that the exemption be reduced by $1,000 and that the surtax be increased in some proportion to the increase in income. It has been suggested, for instance, that the surtax on incomes above $100,000 be 50 per cent. or more.

Those opposed to the constitutional amendment which made the income tax possible always

argued that the power to impose such a tax would be used as a weapon for punishing wealth and penalizing success and that it would inevitably be a means of creating or stimulating class prejudice. While Congress has not yet acted in the matter the outcry of those who would use the income tax for such purposes indicates an effort to secure action which will bring about exactly the evils anticipated. Unless the exemption is made to apply only to incomes, say, below $2,000, the income tax plan will come into disrepute because of the injustice of its application. A tax scheme which is not given approximately universal application has vicious qualities. If for no other reason, those with small incomes should be made to contribute in some measure to the end that they may have a sense of obligation for the support of the government. This is as important as that the revenue be large enough to meet the needs of the government.

INFLATION

Evidences of currency inflation are found in the statement of the money in circulation on January 1. At that time the total circulation was $3,909,184,171. In the previous year it was $3,545,166,116. The per capita circulation was $38.48, against $35.50 a year ago.

In the year the amount of gold certificates in circulation increased from $920,717,749 to $1,281,149,229. There was an increase of about $30,000,000 during the year in the quantity of silver certificates and a decrease of approximately $230,000,000 in national bank notes, due, of course, to the retirement of the emergency currency. Federal reserve notes increased from $17,199,225 to $203,732,980. Under the system of issuing Federal reserve notes against a 100 per cent. gold cover the increase in this currency element is to be considered largely as a substitute for gold. It will be seen, therefore, that the increase of $360,000,000 during the year in gold certificates is to some extent represented by the amount of Federal reserve notes outstanding. The reserve held by the banks in excess of legal requirements was, on January 7 last, $902,000,000.

It is not surprising that the Federal Reserve Board is much concerned over the currency situation.

THE GREENBACKS

At the meeting between the Conference of Governors of the Federal reserve banks, the Executive Committe of the National Bank Section and the Committee on Federal Legislation in Washington last month, the representatives of the American Bankers Association proposed that the greenbacks be retired and canceled. John H. Mason of Philadelphia, Oliver J. Sands of Richmond and W. M. Van Deusen of Newark were appointed as a joint committee to prepare and submit a plan for this purpose. It was suggested that the $153,000,000 of gold which is held as a reserve against the greenbacks be increased by $200,000,000 through the medium of a bond issue, in order to secure funds to pay these obligations of the Government. The Federal reserve banks would probably have to be designated as redemption agencies and it will doubtless also be necessary to make silver and gold certificates legal tender as well as to fix a date after which greenbacks cannot be used as reserve money.

In considering the question of the greenbacks as a currency element it is not necessary at this time to go into their history. No matter what their war accomplishments or with what favor they may be regarded, they have no place in a currency system which is supposed to be based on scientific principles.

It was proposed many times when the Federal Reserve Act was in process of formulation that provision be made for the retirement of the greenbacks. If this proposal was not summarily brushed aside as neither desirable nor warranted, action was halted by the argument that the inclusion of the proposal in the general plan for a new banking system would excite so much controversy and arouse so much antagonism that matters of greater importance would be placed in jeopardy and the whole bill might fail. The greenbacks were left alone.

It was impossible to foresee what the monetary condition of the country would be two years after the bill creating the Federal reserve system became a law. It is this condition that makes the suggestion for the retirement and cancellation of the greenbacks logical and pertinent. More than any other factor in the currency system these promises of the government to pay prevent the Reserve Act from bringing to realization what was its first

and most important purpose—providing an elastic currency. All the currency of all kinds that the country had before the Reserve Act went into operation is still in existence. Prior to the establishment of the reserve banks there was, at some seasons of the year, more than enough currency to meet all the requirements of business. Owing to the seasonal recurrence of commercial activity redundancy of the currency under the old conditions lasted for a comparatively short time. Results from this slight periodic inflation were not serious. There always followed quickly a time when the demand was equal to or larger than the supply. The necessity for providing a means of expanding the currency was, therefore, apparently greater than the necessity for provision for its contraction. It is not surprising that the makers of the Federal Reserve Act took more account of the needs for expansion than for contraction.

Owing to the readjustments made necessary by the European war the flow of gold has been steadily in the direction of the United States. The balance due to this country in exchange operations with Europe has been constantly growing. So long as gold is not exported and so long as the gold stock of the country is increased by imports there must be a tendency to expansion in this metal. The other elements in the currency, except Federal reserve notes, are practically fixed, although there is a slight variation in the outstanding issues of national bank notes. The Reserve Act makes provision for the reduction of these bank notes at the rate of only $25,000,000 a year, which is a negligible amount under the circumstances.

For issues of Federal reserve notes there has been small demand. The amount of them now outstanding, chargeable as a net liability of the reserve banks, is inconsequential. It is impossible to contract the currency below the fixed element in it when the flow of gold is toward this country and when business does not demand Federal reserve notes. The currency is, therefore, not flexible. It does not expand or contract according to the volume of business. It remains practically fixed when it would be much smaller if the quantity of it were measured by the commercial demand. It was presumed that with the natural growth of the nation's commerce it would grow up to the fixed elements in the currency and the Federal reserve notes would then provide all the elasticity needed. The influx of gold is one reason for failure in this direction. The greenbacks, therefore, are water in the stock of currency, which is inflated in consequence.

If the Federal Reserve Act is not speedily amended so that flexibility may be provided and the necessary contraction in the currency may take place, the chief purpose of the Act—to provide an elastic currency which will rise and fall in volume as business demands—will have been defeated.

The retirement of the greenbacks seems to be the simplest method of providing the necessary contraction. It would cause no disturbance. If progress towards a sound and scientific currency system is to continue the sooner the greenbacks are out of the way the nearer will be this achievement. Just at present the continued existence of this form of currency is preventing a fair test of the adequacy of the whole Federal reserve system. The reason the reserve banks do not do more business is because there is too much currency in the country. Interest rates are disorganized, credit conditions are unsound and the whole financial situation is made artificial by the currency inflation.

PROTECTING THE GOLD

In his annual report Comptroller Williams says that the "development and growth of the banks has never been paralleled in the financial history of any country." He cites figures showing a vast increase during the year in the net resources, in deposits, in loans and discounts, in available cash and in excess reserves. "The reserves held by the national banks November 10, 1915," says the report, "exceeded by $587,000,000 the greatest reserve ever held at any time prior to the passage of the Federal Reserve Act." Mr. Williams also estimates the "banking power" of the United States at $25,397,100,000, an increase in the year of over $1,000,000,000.

The report of the Comptroller has been made the basis for flattering articles in which the nation was patted on the back and credited with being in a position of unprecedented financial strength. It is undoubtedly true that banking conditions are now sound and it is equally true that the situation is fraught with danger. Bankers, who have been exercising great caution because of the menace of the European situation, are endeavoring to find safe

means for the employment of the vast amount of idle funds. Brokers are offering all kinds of commercial paper for sale and are ingeniously playing one bank against another in their efforts to dispose of it. Interest rates are so low that borrowers are demanding money at rates below those which bring profit to the banks. There are numerous indications of expansion and promise of their continuance. To face the conditions and refuse the temptation to get this idle money into use requires more self-restraint than bankers, collectively considered, can muster.

The situation, charged with the dangers that invariably accompany inflation, must be considered in connection with the statements that attest the extent of the banking power and the stability and safety of banking conditions.

The effort being put forth by the Federal Reserve Board to have the gold stock of the country impounded in the Federal reserve banks marks the concern of that body over the situation. Mr. Warburg has recently pointed out the necessity of protecting the gold supply and of mobilizing it against the possible and expected day of trouble. At the end of the war, if not sooner, the nations of Europe will want their gold back. They will pay the price for it and if they pay the price they will get it. The point is that they should not be allowed to get it on terms of their own making. There should be two parties to the negotiations that will result in exports of gold. It is needless to say that the Federal reserve banks, and particularly the Federal Reserve Bank of New York, charged as they are with the duty of safeguarding the gold stock, should be parties to the negotiations.

The one way in which the bankers of this country may become parties to a transaction in which the export of gold is under consideration is through the assumption of international financial obligations and the dealing in international securities. Unless the Federal reserve banks secure a considerable amount of foreign bankers' bills they will not be in a position to negotiate. If investment in such a line of security will take, say, $200,000,000 of gold out of this country, so much the better. It is doubtful if immunity from a concerted raid on the country's gold supply can be purchased in any other way. Interest rates in London are higher than they are in this country and the attraction which is offered for such investments is perfectly normal. In a time of peace the London interest rate would force the export of gold from this country. The war has brought about an artificial condition, but it does not follow that what would be a normal act in time of peace should be considered an artificial act in time of war. The benefits of such a transaction would be greater to this country than to England. If the United States contemplates becoming a factor in the world of international finance it is time it began to play the part.

SPRING MEETING AT BRIARCLIFF

The Executive Council of the American Bankers Association will hold its Spring Meeting at Briarcliff Lodge, Briarcliff Manor, N. Y., May 8th, 9th and 10th. As previously announced, the entire accommodation of the hotel will be devoted to the exclusive use of the Council. This is an important feature, as the nature of the Spring Meeting requires that arrangements be made for a large number of committee meetings to be held at the same time. This year there is an additional body, the National Bank Section, for whose officers and committees accommodation must be provided.

Briarcliff Manor is ideally situated in the Westchester hills, thirty miles from New York City, and is reached either by the Putnam division of the New York Central or the main line, Scarborough station. Briarcliff Lodge is about a mile from the station. Although the natural location, as stated, is most attractive, it is sufficiently far removed from New York City to make sure that the Council members will be free from distracting influences and thus be enabled to give all their attention to the business of the Association. Council meetings are mostly work and very little play, and those held at Briarcliff in former years have set a high standard in this respect.

Career of the Greenbacks in the Light of the Suggestion to Retire Them

What Economists and Bankers Say About the System and Its Evils—A Heavy Annual Expense—Financial Conditions Incident to the Civil War.

WITH the proposition for the retirement of the greenback currency there has been a revival of interest in the problem presented by this anomalous circulation. The initiative in the present movement was taken by the American Bankers Association. For the purpose of presenting an adequate outline of the greenback question, showing how economists have expressed themselves on the subject from time to time, the following compilation has been made by Miss Marian R. Glenn, Librarian of the American Bankers Association, from various works and magazine articles. It will be seen that there is a general agreement as to the evils of the system and the matter is well summed up by James K. Lynch in his statement that "the great annual expense of keeping it (the greenback) in circulation is as nothing when measured against the cost of the demoralization of thought and the confusion of ideas which it has produced."

Civil War Conditions.

"The financial and monetary conditions which confronted the administration of Lincoln in 1861 were such as would have severely taxed a finance minister with the genius of Hamilton and the wide experience of Gallatin. The nation was at the brink of civil war, the outcome of which could not be foreseen. Its debt of about $76,000,000 was greater than at any time since the period following the War of 1812, and most of this debt had been created during years of peace. The nation's credit was poor, its securities having been sold at more than 10 per cent. below par by the outgoing Secretary of the Treasury.

"The currency consisted of about $250,000,000 of specie and $200,000,000 of state bank notes, and whilst the 1,600 banks, as a whole, possessed a fair quantity of specie (probably 45 per cent. of their note issues), most of it was held by the banks in the money centers. The condition of the paper circulation was very far from satisfactory. Great dissimilarity in the laws governing banks in the several states precluded uniformity, security or safety. There was no central place of redemption, hence most notes were at a discount, varying with the distance from the bank of issue. It was estimated that there were 7,000 kinds and denominations of notes, and fully 4,000 spurious or altered varieties were reported."—A. B. Hepburn, "History of Currency in the United States."

"Prior to the Civil War the fiscal operations of the Government were transacted exclusively with coin, by its own officers without the intervention of the banks. In August, 1861, Mr. Chase, the Secretary of the Treasury, negotiated three loans of $50,000,000 each, from the banks of New York, Boston and Philadelphia. In anticipation of such loans, Congress had passed a law authorizing him 'to deposit any of the moneys obtained on any of the loans in such solvent specie-paying banks as he might select,' and to withdraw the same as required for the payment of public dues. The object of the law was to enable him to leave the money in the banks as a deposit till wanted, and then to withdraw it by checks, which would be settled at the clearing house. This was a discretionary power, and Mr. Chase decided not to make use of it. Against the strong opposition of the banks, he required them to pay their gold into the Sub-Treasury at New York at the rate of $5,000,000 per week. This policy does not appear to have had any harmful effect, except that of exciting the fears of the bankers themselves."—Horace White, "Money and Banking."

"For several weeks everything went well, but early in December, 1861, two untoward events occurred. The first was the publication of the report of the Secretary of the Treasury. The disappointment over his failure to present an adequate program of taxation was keen, and the suspicion that the Secretary was not equal to his task injured the credit of the Government. The second event was the Trent affair, which threatened for a time to involve the Federal Government in war with England.

"The moral effect of these events was immediately seen. The credit of the Government declined, so that it became impossible for the banks to sell the Government securities, which they held to large amount, except at a great pecuniary sacrifice. This cut off one source from which they had been obtaining specie. At the same time people became frightened, and stopped depositing money in the banks thus cutting off the other source. After standing the strain upon their reserve for two weeks, the New York banks were compelled, in order to save themselves from complete exhaustion, to suspend specie payments on the thirtieth of December. Banks in other cities speedily followed suit. The suspension of the National Treasury was entailed as a necessary consequence. Thus the first day of the new year, 1862, saw the collapse of the whole scheme of national finance."—Wesley C. Mitchell, *Journal of Political Economy*, June, 1899.

Demand Notes and Greenbacks.

"Among the various devices for raising money at the beginning of the war, was that of issuing non-interest-bearing Treasury notes in small denominations fitted to be used as currency. Sixty millions of these had been authorized before Mr. Chase negotiated the above-

mentioned loans. These notes were payable on demand and were receivable for taxes and duties on imports, but were not legal tender. Thirty-three millions were outstanding when specie payments were suspended. They were called 'demand notes' in distinction from the subsequently issued legal-tender notes. The bill for the latter was first proposed by Mr. Eldridge G. Spaulding, a member of the Committee of Ways and Means, and was reported by the committee by a majority of one vote on January 7, 1862. It authorized the Secretary of the Treasury to issue $150,000,000 of United States notes not bearing interest, payable to bearer, of denominations not less than $5 each. Fifty millions of these notes were to be in lieu of that amount of the demand notes aforesaid. The notes were to be receivable for all dues to the Government and to be legal tender for all debts public and private within the United States and to be exchangeable for bonds of the United States bearing interest at 6 per cent., redeemable after five years and payable in twenty years. These bonds were familiarly known as the 5-20's.

"The bill passed the House, February 6, 1862, by ninety-three to fifty-nine. The legal-tender clause, however, narrowly escaped defeat in the Senate. Two amendments of importance were added by the Senate: one making the interest on the Government's obligations payable in coin; the other giving the Secretary of the Treasury authority to sell bonds bearing 6 per cent. interest at any time, at the market value thereof, for notes or coin. The latter clause was intended to enable the Secretary to obtain gold at some price, to pay the interest on the bonds.

"The bill became a law on the 25th of February, 1862. On the 7th of June Mr. Chase asked for $150,000,000 more notes. A bill for this purpose was passed with very little opposition. It provided that not more than $35,000,000 should be of denominations smaller than $5.

"A third batch of legal-tender notes, $100,000,000, was authorized by a joint resolution dated January 13, 1863, 'for the immediate payment of the Army and Navy of the United States.' The whole amount now authorized was $400,000,000.

"In June, 1864, Congress enacted that the whole amount of greenbacks issued or to be issued should never exceed $450,000,000, the last $50,000,000 being a temporary issue. When the war came to an end and the army was paid off and disbanded the amount remained fixed in the law at $400,000,000."—Horace White, "Money and Banking."

"The greenbacks were legal tender for all payments, but from the first were worth less than their face value in gold coin, and soon became the standard money of the North. As war progressed and successive issues were put forth they rapidly depreciated with respect to gold. Their depreciation was greatest in 1864, when $100 in greenbacks was worth only $40 in gold. There was, of course, a corresponding rise in the price of goods. All business within the country was done upon a greenback basis, gold and silver having disappeared from circulation. After 1865 the greenback began to appreciate, but it did not reach parity with gold till just before January 1, 1879, when in accordance with a law passed in 1875, the Government began the redemption in gold of all greenbacks presented."—Joseph French Johnson, "Money and Currency."

NOTE—For a study of the effect of the greenback on prices and the relative value of gold and greenbacks, consult "Money and Currency," by J. F. Johnson; the Report of the Indianapolis Monetary Commission, which contains an elaborate statistical study of the effect of paper issued upon prices and wages, prepared by J. L. Laughlin; and "The History of the Greenbacks" by Wesley C. Mitchell.

Cost of Redemption.

In writing of the "endless chain" trouble which the greenbacks caused during the nineties, Hepburn says: "Both Carlisle and Cleveland, in their last communications to Congress, elaborated and vigorously argued for the retirement of the legal-tender notes. In order to meet their redemption the people had incurred obligations in the form of bonds in excess of $262,000,000, which would require, if held to maturity, a further payment for interest of $379,000,000, making a total cost of $641,000,000 on account of these notes, and the notes were still outstanding and unpaid. This form of currency designed as a temporary expedient, and retained because of its supposed economy (being a non-interest-bearing-loan) had proven most burdensome and costly both in direct taxation and indirect injury to business affairs."

The same author calls attention to the fact that, during the discussion of the proposed Federal reserve act, "The hostility to all banks was so great and the element in the Democratic party favorable to Government notes so strong that the currency provided was made 'obligations of the United States,' the Government being directly pledged to their payment. So long as the Treasury is rich in funds the Government can suffer no harm from having its demand obligations, in the form of currency, outstanding to the possible total of two or three billions, but in conditions such as existed under President Cleveland's second administration the embarrassment may be serious; and that similar conditions are likely to return is the obvious lesson of history."

Effect of the Greenbacks on the Cost of the Civil War and the Subsequent National Debt.

"Few questions raised by the legal-tender acts have attracted more attention than the one: 'What effect had the greenbacks upon the expenditures incurred?'

"Even while the first legal-tender bill was being considered its critics declared that if made a law it would increase the cost of waging the war by causing an advance in the prices of articles that the Government had to buy. As the war went on the soundness of this view became apparent. Simon Newcomb, writing early in 1865, estimated that by the end of 1864 the greenbacks had increased the amount of indebtedness incurred by the Federal Government $180,000,000 beyond the amount

that would have been incurred had the specie standard been maintained. Even if the war should end in 1865, he prophesied, $300,000,000 more would be added to this needless augmentation of the debt.

"When the war was over and the divers reasons that had deterred many men from criticizing the financial policy of the Government were removed, competent writers began to express similar views with freedom. For example, Mr. H. R. Hulburd, Comptroller of the Currency, said in his report for 1867: 'Probably not less than 33 per cent. of the present indebtedness of the United States is owing to the high prices paid by the Government while its disbursements were heaviest.' Mr. C. P. Williams put the increase of debt at one-third to two-fifths; C. A. Mann, at one-fourth; S. T. Spear, at $1,000,000,000; L. H. Courtney, an English critic, at nearly $900,000,000. Of later discussions that of Prof. H. C. Adams has attracted the most attention. He estimated that of the gross receipts from debts created between January 1, 1862, and September 30, 1865, amounting to $2,565,000,000, the gold value was but $1,695,000,000—a difference of $870,000,000 between value received and obligations incurred.

"All of these estimates seem to rest either upon guesses or upon reduction of sums borrowed in currency to specie value. The former method of arriving at the result inspires little confidence even when the guesses are made by men intimately familiar with the Federal finances, and the latter method assumes that all Government expenditures rose in proportion to the decline in the specie value of the greenback-dollar, and that all revenues remained what they would have been on a specie basis—assumptions subject to important exceptions. The problem of ascertaining the financial consequences of the greenback issues is much too complex to be solved by methods so crude. Some branches of expenditure were much affected by the depreciation of the currency, other branches but little. The effect of the paper currency on the receipts of the Government is quite as important a part of the problem as the effect on expenditures, and examination shows that here as there different items were affected in very different degrees. Finally, the greenbacks were themselves a 'loan with interest,' though, on the other hand, they increased the volume of the interest-bearing debt by augmenting expenditures. These three topics, then—the influence of the paper-money standard on ordinary expenditures and receipts, and on interest—must all be examined by anyone who hopes to frame an adequate estimate of the net effect of the greenbacks on the cost of the war."—Wesley C. Mitchell, "History of the Greenbacks."

After an interesting analysis of these elements Professor Mitchell concludes:

"Public debt reached its maximum amount August 31, 1865, when it stood at $2,846,000,000. Of this immense debt the preceding estimates indicate that some $589,000,000, or rather more than a fifth of the whole amount, was due to the substitution of United States notes for metallic money. Little as these estimates can pretend to accuracy, it seems safe at least to accept the conclusion that the greenbacks increased the debt incurred during the war by a sum running into the hundreds of millions. If so, it follows that, even from the narrowly financial point of view of their sponsors, the legal-tender acts had singularly unfortunate consequences."

From Dewey's "Financial History of the United States."

"The two most distinct consequences to the Government were the rise of prices of commodities and the fluctuating premium on gold. The first greatly increased the cost of the war and the second seriously disturbed the operations of the treasury, which was especially interested in stable quotations of specie because on the one side it received gold for customs and on the other hand it paid it out in interest on its bonds.

"The other index of depreciation is found in the general rise of prices; this cannot be attributed alone to the issue of paper currency; other factors were at work, such as increased taxation and the insatiable consumption of provisions and materials of war. We cannot take the premium on gold as measuring the difference between actual prices and the prices which would have existed if the country had remained on a gold basis, for the premium varied sharply from day to day, according to the progress of the war, the movements of foreign trade or the manipulations of speculators; while the changes in prices moved sluggishly. When allowance is made for all the special factors there was an undoubted rise in general prices which can only be accounted for by the existence of a large volume of depreciated currency. The total effect of paper issues in increasing the cost of the war has been estimated at between $528,000,000 and $600,000,000; even this large amount is small when compared with the burdens which inflated prices placed upon the people in the ordinary relations of trade and industry."

From article on "The Story of the Greenback," by James K. Lynch. ("Coast Banker," April, 1913.)

"I think we must conclude that its original issue at the time of the Civil War was an evil in that it increased the cost of the war and unsettled the Government credit, demoralized business, promoted unwarranted speculation and increased the cost of living. During the period of approaching redemption of specie payments and the consequent contraction of the currency, the evil effects of the issue became more strongly marked, and the people, misunderstanding the cause as well as the real nature of the trouble, resented the inevitable suffering and tried to alleviate it by preventing the retirement of the legal-tender notes. In doing this they only postponed the surgery necessary to effect a cure, and the delayed operation will yet have to be performed. At no time in its history has the greenback been such an evil as now, when it is worth its face value and is apparently as good as gold. The great annual expense of keeping it in circulation is as nothing when measured against the cost of the demoralization of thought and the confusion of ideas which it has produced."

For a further study of the greenback question the following books, to be obtained from the Association Library, are suggested:

Adams, H. C.—"Public Debts."

Bolles, A. S.—"Financial History of the United States."

Breckenridge, S. P.—"Legal Tender."

Chase, Life of, by J. W. Schuckers.

Dewey, D. R.—"Financial History of the United States."

Hepburn, A. B.—"History of Currency in the United States."

Indianapolis Monetary Commission Report.

Johnson, Joseph French—"Money and Banking."

Knox, John J.—"United States Notes."

Mitchell, W. C.—"History of the Greenbacks."

Noyes, A. D.—"Forty Years of American Finance."

"Sound Money" pamphlets of the New York Reform Club.

Spaulding, E. G.—"History of Legal-Tender Paper Money."

White, Horace—"Money and Banking."

Wildman, M. S.—"Money Inflation in the United States."

ADMINISTRATIVE COMMITTEE FIXES DATES FOR CONVENTION AND DISCUSSES LEGISLATIVE MATTERS

A meeting of the Administrative Committee of the American Bankers Association was held at the General Offices, Hanover Bank Building, New York City, on January 28, 1916. There were present: Ex-President William A. Law, W. M. Van Deusen and L. F. Kiesewetter. President James K. Lynch was absent on account of its being impracticable for him to make a trip across country at this time. The meeting was also attended by General Counsel Thomas B. Paton and Manager of Department of Public Relations Arthur D. Welton and General Secretary Fred. E. Farnsworth.

The object of the meeting at this time was largely for the purpose of discussing Federal legislative matters, which have been considered by the Federal Legislative Committee and the Executive Committee, National Bank Section; it being necessary (under the Constitution) that all matters of legislation shall first have the approval of the Executive Council or Administrative Committee.

Among the measures discussed and which were unanimously approved by the Administrative Committee were:

Amendments to the Act relative to accumulative voting.

A bill which will be introduced into Congress authorizing the Treasury Department to print and issue more bills of smaller denominations; there being practically a famine of small bills at the present time.

A bill to be introduced making proper provision for national banks to have foreign connections, through branches or otherwise.

A bill to be introduced amending the Federal Reserve Act and providing that any or all of the capital of Federal reserve banks can be returned to member banks, but remaining as a liability against the member banks and subject to call at any time.

Providing for domestic acceptances on the same basis as provided for in bill for foreign acceptances.

Retiring of greenbacks and making provision in proposed bill for legal tender requirements.

The week of September 25 to 30, 1916, was selected as the dates for the annual convention of the Association in Kansas City, Mo., with the general programme outlined as follows:

Monday, September 25th—Committee and Executive Council Meetings.

Tuesday and Wednesday, September 26th-27th—Section Meetings.

Thursday and Friday, September 28th-29th—General Convention of the Association.

Saturday, September 30th—Entertainment.

The Administrative Committee, to whom has been given full authority for arrangement of program, voted that there should be no entertainment of any nature in the daytime during the days of the General Convention for either ladies or gentlemen, and that if entertainment is provided for the ladies during the daytime, it should occur on Monday, Tuesday and on Wednesday forenoon.

General Secretary Farnsworth will make a trip to Kansas City early in February, for the purpose of going over various details of the convention with the local committees in that city. The Local Hotel Committee is now fully organized and applications for reservations should be made to:

R. C. Menefee, vice-president Commerce Trust Company, *Chairman.*

Thornton Cooke, vice-president Fidelity Trust Co.

W. I. Buechl, vice-president Southwest National Bank of Commerce.

G. G. Moore, cashier New England National Bank.

Asa E. Ramsay, vice-president Drovers National Bank.

C. W. Allendoerfer, assistant cashier First National Bank.

DISCOUNTS, INTEREST RATES, CREDITS AS PROBLEMS OF THE RESERVE SYSTEM

By PAUL M. WARBURG

There appears to be a great deal of confusion of thought about the proper functions of Federal reserve banks and the policy to be pursued by them in attaining the ends for which they have been organized, particularly about the question whether Federal reserve banks should or should not avoid competition with the national and state banks and trust companies.

The present maximum lending power of the entire Federal reserve system on a gold reserve basis of 40 per cent. is about $600,000,000. The total loans and investments by national banks amount at present to about $9,000,000,000; those of state banks and trust companies are estimated at about $13,000,000,000. It is obvious that it cannot possibly be the object of the Federal reserve system, by competition, to substitute a lending and investing power of $600,000,000 for that of all the banks of the country, amounting to about $22,000,000,000. The aim of the system must rather be to keep this gigantic structure of loans and investments, which is largely carried by bank deposits, both from over-contracting, and, as well, from over-expanding so that, as the natural and inevitable result, it may not be forced to over-contract.

Effectively to deal with the fluctuations of so gigantic a total is a vast undertaking. If the task is to be accomplished successfully it cannot be by operations which are continuous and of equal force at all times, but only by carrying out a very definite policy which will not only employ funds with vigor at certain times, but, with equal determination, will refuse to employ funds at others. That during periods of actual employment the Federal reserve banks will make large earnings, and that during periods when a restriction in the activity of Federal reserve banks is indicated by general conditions their earnings will or should be smaller, are incidents which have no bearing upon the measure of their usefulness. Federal reserve banks, when accumulating and keeping idle their funds, are exercising as useful a function as when they are employing them. If safety and the stabilization of rates form the soundest foundation for general prosperity, everything that the Federal reserve banks do in avoiding excessive rates—whether those be too high or too low—will result to the benefit of the nation. If the potential or actual employment of $600,000,000 can have this effect upon loans and investments of $22,000,000,000 (of which $16,000,000,000 are loans and discounts) the usefulness of the Federal reserve system is proven.

Stability of Interest Rates

Successfully to bring about the stability of interest rates two things are necessary: first, judicious withholding and, in turn, judicious employment by Federal reserve banks of their lending power, and, second, recognition by banker and business man that the measure of success to be achieved by the Federal reserve system will, to a certain extent, depend upon the degree of their own co-operation with the policy of the Federal reserve banks.

In order to remain liquid and deserving of the unqualified confidence they require, reserve banks must employ their funds in investments of the most liquid character only. The larger the amount of such paper that is available the larger will be the field of operation open to these banks. The first year's experience has already shown that they must look largely to open market operations, such as purchases of bankers' acceptances, bills of exchange, warrants, United States bonds, etc., in order to secure their share of business and influence. Their most important field, in this respect, is the bankers' acceptance, the use of which it is confidently hoped will, from now on, steadily increase.

The Federal Reserve Board hopes that we may succeed in securing a broadening of the powers of national banks so as to permit them to accept, not only against transactions involving the importation or exportation of goods, but also against domestic transactions secured by the pledge of readily marketable staples, by goods actually sold, or by shipping documents covering goods in course of transportation. It is easy to see the great influence that such an amendment to the present law would have in equalizing rates. If cotton, properly warehoused in Texas, can be pledged to an accepting bank in Texas, Chicago or New York, the proceeds of the acceptance at the discount rate of, let us say, 2 per cent., would flow from whatever would be the lowest discount market into Texas and relieve the banks in that district.

Discount Rates and Credit

Equalization of discount rates is dependent upon standardization of credit, and it cannot be brought about by legislative enactment or government machinery, but only by the action of the banks and business men themselves. Farmer Jones may be able to secure money from his bank on his own note only at 6, 7 or 8 per cent., but if he can store his grain or cotton with a properly organized warehouse and secure the acceptance of a good bank, the bill will sell at the lowest rate, provided the accepting bank is sound. It does not matter whether money at that time be higher at New Orleans or Minneapolis than at Chicago or New York; if the New Orleans or Minneapolis bank's acceptances are good they will sell substantially at the same low rate as those of the banks in Chicago and New York. Raise the standard of banking and warehousing—use modern banking methods—and equalization of interest rates must follow automatically. No law will ever remove the difference between good and bad. There are different grades in cotton and

grains and, similarly, there are different grades in credit. We cannot equalize credits, but we can bring about equalization of interest rates for similar grades of credit all over the country.

Turning to an analysis of our banking problem, we should bear in mind that added lending power—be it by decreased reserve requirements or by an influx of gold—does not automatically bring about the increased opportunity for making safe local loans. Only gradually and only as we shall recognize it for the support of our permanent and solid growth of business—not the mushroom kind—shall we be able to use it. The danger of a rapidly and abnormally increased lending power is that it makes for plethora of money, for too easy rates, exasperating alike to the banker and the investor, and that consequently it brings forth the tendency of encouraging unhealthy expansion and of making poor investments at home and abroad. Such conditions have always been the breeders of economic disasters.

The Course of Gold

We must, furthermore, bear in mind the old rule that between countries of fairly equal credits low interest rates will have the tendency of driving gold to that center where it can earn the higher interest return. While abnormal conditions have for the present destroyed the power of interest rates to direct the flow of gold, sooner or later normal laws of economics will again assert themselves, and we must then expect that, owing to the inflation of currency created in almost every country involved in the war, the demand for our gold will be very keen and determined. We may then have to part with very large sums of gold, but we must so direct our course as to be able to control this outflow and let it take place without creating disturbances in our own economic life.

In order to avoid unfortunate developments, we must then first of all "keep our powder dry"; that is, hold in reserve the essential strength of the Federal reserve banks, not only to be prepared for possible drain or emergency, but also, so far as practicable, to offer a check to inflation.

Impatience by the public or by the Federal reserve banks themselves to quickly show results by large profits must not be permitted to lure us from a safe course. Strange as it may seem, the old words of Milton, when he said, "They also serve who only stand and wait," may be aptly applied to so modern an organization as the Federal reserve system. To stand and wait is often the hardest of all duties, requiring more courage than to follow one's impulses in "letting go."

Second, we must greatly increase the degree of our control over our current gold supply by assembling, so far as practicable, the gold now wastefully carried in the pockets of the public, substituting for it our new elastic reserve notes.

Our Future Lending Power

Third, we must take the utmost care not to destroy at this time the basis of our future lending power. Whatever foreign loans we may make during the war ought to be of reasonably short maturity, so that we may keep control of our gold in case we should later wish to have it at our call. That will give us a strategic position at the end of the war so strong that we shall be able effectively to face the various duties that will confront us, not only towards our own country, but also towards the world at large.

Fourth, while short loans are advisable in dealing with foreign countries, this is the time for us to set our own house in order and arrange for the financing of our healthy home enterprises on a permanent basis.

Fifth, our banks have so far acted wisely. They have not considered the reserve now prescribed by the Federal Reserve Act as the actual limit of their reserve condition. They have, generally speaking, held reserves in excess of that limit. It is, however, true that, with some, this is not due solely to prudence, but partly to the fact that the great ease of money made it practically impossible for them to invest a large percentage of their available means. Increased activity might bring about a change in this respect. But I believe that it should be impressed upon all the banks that, rain or shine, they should under present conditions continue to keep their reserves far in excess of the present legal requirements and that they should not forget that, on balance, this year they will have to pay into the Federal reserve system roughly $110,000,000 and that, if the old standard of reserve requirements were in force to-day, the reserves now shown would be reduced by about $500,000,000.

The present wave of prosperity in the United States appears too powerful to be easily rolled back or resisted, and there would seem to be no reason why business, so far as relates to our own normal demand and consumption, should not continue to be brisk. I believe that we may say with reasonable assurance to the business men and manufacturers dealing with our own local requirements, "Be not afraid, and go ahead."

If we are prudent and avoid both banking and industrial inflation, if we use this period of affluence and unexpected protection to increase our efficiency and complete our organization, I do not see why we should not calmly trust our ability and intelligence in meeting any emergency the future may have in store for us. It is with this point in view that I so strongly urge our bankers not to lose this opportunity of perfecting our banking machinery for the purpose of developing relations with foreign countries. The only distinct effort in this direction has been made in New York, and, to a certain extent, in Boston and Philadelphia, for the rest of the country appears to be so busy making money that apparently it has not found the time to provide for the future.

In the past, we have not conquered foreign markets to a greater extent largely because we have been too prosperous at home and because we did not think it worth while to accommodate ourselves to foreign methods or to grant credits in far-away countries. The enormous lending power that we shall enjoy will give us a tremendous advantage in the future. It will be for the American business man and investor to decide to what degree the United States shall become a nation of world bankers.

The Menace of the Unguarded Check and the Remedy for Existing Conditions

Carelessly Written Documents Share with Negligence of Lithographers and Printers the Responsibility for Many Raised and Forged Checks—Use of Safety Paper Advocated Under Close Surveillance.

By PERRY JOHNSON

THIS is the day of the check. "Enclosed find check" have been declared the most weighty words in the language of our modern marts. Except in strictly retail lines, and for payrolls and incidentals, the volume of actual currency handled by the average mercantile or industrial concern is scarcely appreciable, compared with the remittances and disbursements represented by checks and drafts.

This brings up the inquiry: What is being done to standardize and stabilize the physical form of these items which represent the bulk of our medium of exchange to-day? Introduced in England only at the end of the eighteenth century, the use of bank checks in a little over a hundred years has grown to a point where this item quite dwarfs the legal circulation on which it is supposedly based.

And yet, with the universal circulation and acceptance of checks, no important change in their form tending to make them more secure has occurred within the memory of living bankers. The check or draft which originally passed only through the hands of the drawer and drawee and the payor bank, was comparatively secure, and no great degree of precaution in its use was considered necessary. But with the common circulation of checks from hand to hand, and frequently bearing a motley of indorsements before final presentation, it is apparent that the amazing growth of check frauds within the past decade is a logical condition, and one that will be met satisfactorily only by taking further precautions in the physical form of checks, or in restricting their use.

Albert S. Osborn, the eminent handwriting specialist in his exhaustive work on "Questioned Documents" (published by the author, N. Y.), which is recognized by nearly all of our higher courts, makes some significant statements on this subject that will meet with the approval of almost everyone having to do with the handling of a large number of miscellaneous exchange items. For example, on page 407:

"One of the most common of frauds is the 'raised' check, draft or other commercial paper which is made to represent a larger sum than when it was signed. This is a very dangerous kind of forgery, as the signature which it carries is genuine and when a paper is presented for payment or credit special attention is naturally directed only to the signature.

"Genuine documents are sometimes so carelessly drawn that the amount is increased by simply adding words before or after the smaller amount first written, and then adding ciphers to the amount written in figures or, if necessary, changing the amount in figures. * * *

"Adding ciphers of course multiplies by ten amounts like 100 or 1,000 written only in figures, are easily changed to 400 or 4,000 by changing the one to a four simply by the addition without erasure of the first part of the four to the figure one. In the same manner the figure one may be changed to seven or nine, and threes may be changed to eights. If a document has been raised by simply adding to it a word or figure which has not required any erasure it may be impossible to show that any change has been made.

"* * * Even school children know that there are certain cheap preparations on sale in stationery stores that will successfully remove ordinary ink writing. These chemical preparations are of great assistance to the forger, and make it easily possible in many cases for him to remove previous writing and make a check, note, receipt or contract read as he desires. These chemical erasures may affect the document in such a way as to show clearly that it has been tampered with, but when skilfully made they may not be discernible by ordinary observation."

And on page 410:

"Unfortunately a large proportion of modern blank forms of checks, drafts and other negotiable papers are made exactly as the forger desires in order that it may be easy to make fraudulent changes. In the first place, they are printed on rough surface, high quality bond or lined paper on which even erasures by abrasion can be made quite successfully, and chemical erasures leave almost no trace and can hardly be detected. In the second place, a large proportion of such forms are lithographed on wet paper, which process of wetting makes it impossible to discover any evidence of a subsequent wetting when a chemical erasure is made.

"In addition to these conditions favorable to the forger many of the printed devices intended to prevent raising not only do not serve as a protection but may actually assist in making such a change appear regular and genuine. * * *

"Another almost universal practice in this country that greatly assists the forger is the printing of the word 'Dollars' at the extreme right-hand side of the blank form, leaving a long space usually covered only by a single ink line. This open space is an invitation to add 'hundred' or 'thousand' to a small amount or to make any change desired after the necessary erasure with chemicals."

On page 414: "It is not generally known what an enormous amount is lost every year on forged and 'raised' documents. Bankers and business men do not even tell each other, and often a clever swindler actually leaves a trail of fraudulent paper from the Atlantic to the Pacific. If there is no clew the victim quietly charges the amount to his loss account as part of the cost of experience and does not advertise the fact that he has been swindled."*

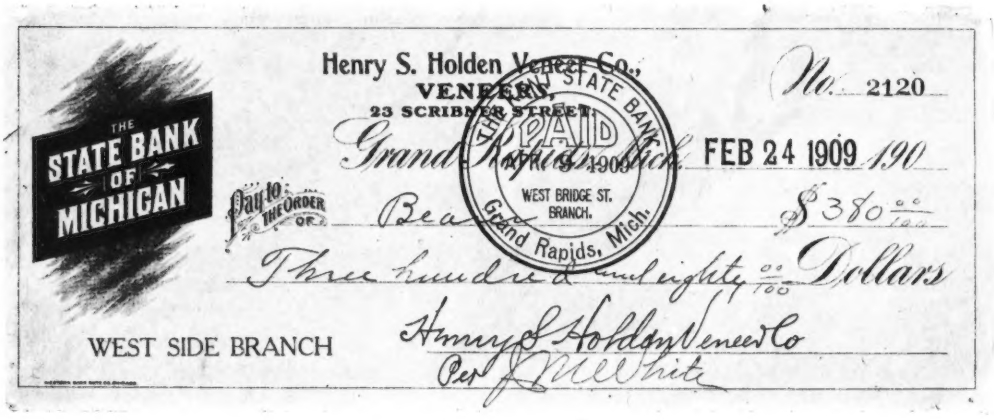
Wm. H. Kniffin, Jr., in his exceedingly practical book entitled "The Practical Work of a Bank" (Bankers Pub. Co., N. Y., 1915), also makes some interesting observations on the dangers surrounding our promiscuous use of checks. Thus, on page 101:

"The paying teller pays a forgery at the bank's peril. He is bound in law to know genuine signatures. He must be a handwriting expert. Checks are often drawn carelessly. Some people can never write twice alike. * * * Checks may be signed with gloved hands, cold hands, in cramped places, etc., and while genuine are difficult to pass upon quickly, and the teller must not refuse a bona-fide check, for if he does he may invite trouble. * * *"

"Second, he must know that the check has not been raised. If he pays a forged check the bank is liable. If he pays a raised check the bank is liable for all over the original amount. (*Note.*) Therefore, he must see that it is untampered with—sometimes a most difficult feat. A check may easily be altered by erasing the amount and figures and substituting others. This may be done very skilfully with a knife or with acids. Sometimes checks are so carelessly drawn that fraud is easy, and it is a question if the fraud was invited by carelessness. It has been held that a bank depositor is liable where he draws a check carelessly and makes fraud easy. The use of safety paper—a paper with a thin coating on it which prevents any erasure without becoming noticeable—is becoming more and more common."

Again, on page 116: "The principal risk which a bank runs to-day is not that of the burglar or sneak thief, although they are operating everywhere. * * * In 328 cases of bank frauds in a single year, all but twenty were cases of forgery, and the risk in banking to-day is that of the check forger who either passes bogus checks or raised instruments."

Referring to this summary of the investigation of forgery cases by the Protective Department of the American Bankers Association, this author then quotes Detective William J. Burns in some of his speeches to state bankers' conventions, as follows:



CHECK RAISED FROM $14.22 TO $380.

"Now, as between merely forged documents (manufactured out of 'whole cloth'), and the genuine document on which the amount is 'raised' or altered, the danger to those signing and handling the altered instrument is infinitely greater. In fact, from some of the remarkable examples of 'raised' checks, drafts, stock certificates and promissory notes that I have examined lately, it would indicate that the 'raised' amount is more dangerous to the financial peace of organized society than the nitro-glycerine can of the professional dynamiter."

Many other authorities might be cited to prove that our bank checks and drafts are a source of weakness from the standpoint of alterations which make them dangerous tools in the hands of professional swindlers or weak-minded employees.

As a concrete example, here is a reproduction of a check cashed for "Bearer" by a Michigan bank for $380, dated February 24, 1909. This is a perfectly

*Mr. Osborn makes several important recommendations as to discontinuing the use of "fancy" designs and curly-cue patterns for check papers, the danger of "punch" and perforating machines, the necessity of keeping modern check protectors and check writers thoroughly inked if they are to give thorough protection; and the advisability of a central clearing house for suspected documents, conducted by persons skilled in classifying and examining the same. All of this matter will prove extremely interesting to any banker who will take the trouble to read this portion of Mr. Osborn's book.

genuine check—except that there is nothing left of the original except the printed form and the signature, which is admitted. This check was actually dated some time in 1908, carefully drawn to the order of the Neostyle Envelope Co., New York, for only $14.22, numbered something under 2000. The check was stolen from the Neostyle Company's mail, everything but the signature cleaned off with acid, and then rewritten as shown here. There is no trace of the alteration that would be noticeable to a careful paying teller, or to anyone else except possibly a specialist like Mr. Osborn examining it with special instruments and magnifying cameras. There is no discoloration, stain, or even roughness of the paper, by which to prove to a jury that it has been tampered with.

This "raised" check is known to be the work of one of the professional forgery bands that steal country checks from mail boxes in the large cities, alter them as shown, and then send their agents to cash them over the counter at the banks upon which they are drawn. These gangs have been active in New York, Boston and other large cities for ten years, and their operations have been almost continuous during that time, even when their leaders were in prison.

At the present time there is an interesting case in the New York courts growing out of the work of these gangs. A check in many respects like the one illustrated was cashed at a small city bank near Utica last October, supposedly raised from $11 to $380, payee changed to "Bearer," and bearing date of the day it was cashed. It had been stolen from the mail box of a New York manufacturer of artificial eyes a month previous.

The bank in this case has taken the advanced stand that there was nothing to indicate the check had been altered. The signer of the check withdrew his account and started suit to recover. The burden of proof is presumably upon the depositor, to show that this check was actually altered. Moreover, there is a fine ethical point as to whether a banker can be held chargeable for a loss which was beyond his power to prevent, since there was nothing about the check or the manner of its presentation to arouse suspicion. The bank has announced its intention to defend this suit on the ground that it exercised all due diligence required by law in examining this check carefully before honoring it, and that there is nothing except the depositor's unsupported word to indicate that any loss has, in fact, been sustained.

The moral, surely, is plain. Every medium of exchange should be stabilized, so far as possible, in the same way as our currency. To have checks and drafts manufactured in even denominations of $5, $10, $20, etc., would be manifestly impossible; but we can write our checks and drafts on modern sensitized paper to prevent changing the name of payee, and we can indelibly register the amount with modern check writers that force the inked characters into and through the paper. These precautions, if used jointly, will make our checks and drafts as inviolate, at least, as Uncle Sam's currency.

There still remains to be guarded against, however, the "counterfeiter" who makes a spurious check or draft out of whole cloth, in the same way that the "coiner" makes bogus bills. "Artists" in this class would be comparatively harmless, however, if we could manage to safeguard the sources from which we secure our blank draft and check forms.

We know how jealously the Government guards each little banknote, from the plain paper on which it is printed, through all the intricate processes in the Bureau of Printing and Engraving, until it is finally issued as "money." And yet we tolerate the practice of our lithographers and printers in sending out samples of our check and draft forms to every wily Tom, Dick and Harry who expresses an inclination to place an order. And the more handsome and elaborate we make our forms, the more proud is the lithographer to exhibit them to prospective customers—many of whom are known crooks taking this easy method of securing "raw material."

Wm. J. Burns in some of his speeches has called attention to the ease with which bogus-check operators secure these specimens—sometimes in whole sheets—and even from some of the firms who make a specialty of bank work and assume to safeguard their customer's work—a supposed special service for which many banks gladly pay an extra price.

The Burns Agency in behalf of the Protective Department of the American Bankers Association in December last sent out a warning bulletin detailing the operations of one "C. Wade," who has operated for years in nearly every state of the Union, under as many different names, using bogus drafts and cashiers' checks, many of which he doubtless secures as "specimens" from lithographic and printing houses. His work is said to net him from $500 to $1,000 monthly.

There have been operations of this sort on a wholesale scale by organized gangs also. Within a year or so there was a deluge of bogus pay checks of the D. L. & W. Railroad Co. in the two principal terminal cities of that road, which the merchants and bankers of Hoboken and Scranton have good reason to remember. A similar game was played with pay checks of the Great Northern road several years ago. It is always problematical when one of these gangs will bob up on the regular pay-day of the same big corporation, such as the D. L. & W. or Great Northern, and flood the usual channels with spurious checks manufactured for the purpose—such operations being always possible by reason of the loose method of handling every common medium of exchange except that issued directly by the Government.

The remedy seems plain: (1) The printing of check and draft forms to be conducted under conditions *approximating* those used by the Government. Special papers ("safety" designs, etc.), to be of a quality not permitting ease of erasure, these papers to be safeguarded by adopting the Government precaution that each sheet of paper be accounted for, from the paper mill to the completed check or draft—and that each and every scrap of the paper printed for a given bank or business house be

delivered to that customer with a memorandum that the delivery included every perfect piece printed, and that all spoiled sheets had been accounted for and destroyed under supervision.

(2) In order to make the above effective, special papers would have to be restricted in their sale, making it impossible for them to be procured through the usual channels of retail trade, or by anyone except responsible persons.

(3) The use of modern check writers to make the amount an inseparable part of the instrument, and a general understanding that such devices, to be dependable, must be kept well inked, since the protective qualities are furnished only by forcing ink through the fiber of the paper.

If these precautions can be made standard practice with banks and their commercial depositors, then the bulk of our exchange medium will become as stable and reliable, physically, as that lesser part which consists of Government currency.

And while we are making comparisons, how would it appeal to the banking public if the Government in making its paper money should follow the custom of the banks and allow each individual citizen among the millions comprising our population, to demand each for his own whim a certain size and shape of bank note?

Suppose there were a hundred different sizes of one-, two- and five-dollar bills to be counted and stacked by the tellers, and as many different shapes, and some of them were folded in the middle and across the ends, and some had the amounts designated in the upper left-hand corner, and others were made with the amount written in small figures in a mass of fine print somewhere in the southwest corner of the back side?

Would that be materially worse and more wasteful of bank labor than handling the muddled conglomeration of freak check and voucher forms that we have to thumb over in listing exchange items to-day? The depositor who insists on having his own individual whims catered to, is the stumbling block—and a block to the wheels of progress and efficient business as well. It is easy to make a check that will be as standard in size as a dollar bill, and to double this size in a voucher that will stack up neatly with regular checks when properly folded in the middle. So how long must it be until we are driven, by the constantly increasing volume of exchange, to adopt a sane and efficient method in this respect, and to require that all check and draft forms, to be acceptable for clearance, shall be the normal 3½x 8½ inches, or an even multiple thereof?

MEMBERS ARE INVITED!

Members of the American Bankers Association cannot have it impressed upon them too strongly that when visiting in New York, either on business or pleasure, they may avail themselves freely of the facilities provided at the general offices of the Association, occupying the twelfth floor of the Hanover Bank Building at Five Nassau Street and conveniently situated in the heart of the financial district. Letters and telegrams sent to members at the address of the Association will be cared for and here also every facility will be found for enabling visitors to send out their mail, for which purpose a desk or stenographer will be provided. The library of the Association will be found a pleasant place to rest or to make business appointments, or members may be interested in inspecting the office machinery which handles daily the vast amount of business pertaining to the work of their organization. In short, the Association offices are intended to be used by members as their New York headquarters, and the more they are so used the better will be the service rendered by the Association.

PHILADELPHIA BANKERS BANQUET

The bankers of Philadelphia, comprising Group I of the Pennsylvania Bankers Association, have always had the reputation of holding the best banquet in the country and this year's affair, on January 27th, at the Bellevue-Stratford, was no exception to the rule. A choice menu was provided for the 650 prominent bankers who assembled from New York and other cities of the east, west and south as guests of the Philadelphia association. In the floral decorations, which are always of a superior character, orchids predominated and good music added to the charm of a well-rounded evening. Particular credit for the success of the banquet is due to John H. Mason, chairman of the executive committee, and Thomas DeWitt Cuyler, who made an excellent toastmaster.

The speakers were Walker D. Hines, chairman of the board of the Atchison, Topeka and Santa Fé Railroad, who scored extravagance in public affairs and the policy of administering the nation's business on the spoils system instead of for the best interests of the country; Darwin P. Kingsley, president of the New York Life Insurance Company, who spoke of the menace of the European war; and Thomas A. Daly, the poet and humorist, who entertained in a characteristic speech.

A list of those present would read like a page from "Who's Who." At the guest table were: Howard Elliott, president of the New Haven road; City Treasurer William C. McCoach, George Wharton Pepper, Edward T. Stotesbury, Col. Fred. E. Farnsworth, James F. Sullivan, William P. Gest, Senator Penrose, C. Colesberry Purves, Dr. Edgar F. Smith, Francis H. Reeves, C. Stuart Patterson, ex-Governor Edwin H. Stuart, Levi L. Rue, Charles J. Rhoads, Capt. Robert Lee Russell, commandant of the Philadelphia Navy Yard; George H. Frazier, Henry Tatnall, Edward B. Smith, Joseph Moore, Jr., Richard L. Austin and William H. Smith.

Effect of New York Land Bank Act On the State Savings and Loan Law

Safety of the Co-operative Savings and Loan System Is Threatened by the New Land Bank Scheme, Which Permits Pyramiding Upon the Credit of the Old Associations.

By R. INGALLS

THE New York State Superintendent of Banks intimates in his annual report of this year that the statute under which the Land Bank of the state of New York is operating ought to be amended so as to increase "the salability of the bonds" and to give to "their holders a more clearly defined position in regard to the supporting security." The best lawyers and bankers fully agree with the superintendent. Indeed, there is a growing belief that the statute should not only be amended, but that it should be repealed because it is practically useless for the purpose for which it was intended, while it is so violative of correct principles and so bad in its effect that it will probably do great harm to the savings and loan associations in this state if allowed to remain in force.

The Land Bank was created in 1914 by a special act amendatory of the law on savings and loan associations. It was authorized to be formed and was actually formed by a handful of the larger associations. Having been so formed, it enjoys a monopoly in its peculiar field, while its by-laws, adopted by the organizers, cannot be changed except by resolution of the board of directors approved by the Superintendent of Banks. The Land Bank is a private bond and mortgage company with a capital stock that is variable above $100,000 and divided into $1,000 shares, of which only savings and loan associations may be holders. It has the power to receive money or property from shareholders and other persons, to make loans to anybody on real estate situate within New York and contiguous New Jersey counties, and to issue bonds secured by real-estate mortgages held or made by shareholders, and to circulate such bonds up to twenty times its capital stock and surplus.

The Land Bank, together with its bonds, capital stock, accumulations and funds, is entirely exempt from taxation. The act also makes it a preferred creditor of any insolvent financial institution in which it might have money or property on deposit, and furthermore requires the State Comptroller to serve as trustee for the mortgages which it may place in his hands as security for its bonds. The Land Bank is the most highly privileged institution in the state. The special act has thus privileged it and attached it to the state government, although the New York Constitution says that the Legislature shall pass no private or local bill granting to any person, association, firm or corporation either exemption from taxation or any privilege, immunity or franchise whatsoever.

This constitutional point, however, is a minor objection. The chief objection to the statute is that it has vitiated, if not destroyed, the law on savings and loan associations. This law, as it stood before the passage of the special act, was almost perfect; it was the crystallization of correct principles and practices slowly evolved since 1851 out of error, wrong-doing, bankruptcies and bitter experiences, and it had made the savings and loan associations so safe and sound that speculation, crime or failure had verily become an impossibility in them. But this can no longer be said of the associations, because the changes which have been made in their law are so radical that the safety of the system has been seriously impaired.

A savings and loan association is a co-operative thrift society, created, financed, managed and used exclusively by members. In its purity, its sole objects are to receive members' savings and to lend these savings to members for building homes; that is, it operates not on the credit, but with the cash of members. It was devised for affording groups of neighbors a safe and profitable place for small savings actually earned and for investing such savings in mutual self-help for encouraging thrift and home building. The original laws forbade the use of its credit or of other intricate methods of finance. Furthermore, in order to protect a savings and loan association from speculative or risky ventures and to make it safe and available for persons who have not the desire or ability to give the necessary time, care and attention to its affairs the original laws always observed three basic principles: (1) operations were localized; (2) expenses could not exceed a specified percentage of annual income; and (3) liabilities could not be contracted with persons not members.

The New York law contained these three provisions before it was denatured in 1914 by the Land-Bank Act. The operations of an association could not extend beyond a radius of fifty miles from its headquarters. Expenses could not exceed two and one-half per cent. of the total amount of dues actually received. The amount that an association might borrow could not be in excess of 20 per cent. of its capital, or $2,000 if the capital was not more than $10,000, while any debt so contracted could not run for longer than one year. This rather excessive borrowing power was the only defect in the law; but inasmuch as this power was intended to be, and in fact was in practice, exercised only to relieve an association when the money market was stringent, safety was automatic and as a consequence the possibility of bankruptcy, or even of financial troubles had disappeared. Aside from this defect, all loopholes had been stopped up and nobody

thought that there could ever be a repetition of that scandalous record of a score of years ago when a then very defective law was misused in the name but in defiance of co-operation to crush out small "local" associations and substitute for them large "national" associations. Of that record the Superintendent of Banks (1914) said:

"The national associations, as a class, entirely lost sight of the principle of mutuality, were conducted more in the interests of their officers and promoters than in the interests of their members, and attempted to do business over a widely extended territory. As a result of mismanagement, or worse, most of them went out of existence years ago."

This record of "mismanagement, or worse" ought to have served as a warning against tampering with the laws or disregarding co-operative principles and practices but in spite of all, the bars have been let down again. "Nationalization" on a scale never attempted before has been accomplished. The legislators have inaugurated a ruinous scheme of centralization by creating one large institution and by empowering it to pyramid upon the credit of the associations and to utilize their other resources. This institution—the Land Bank of the State of New York—has permanent headquarters in New York City. It does not possess the essential elements of co-operation or even of thrift; and yet its organic act has superimposed it upon co-operative thrift, savings and loan associations, and, in order to bring it into existence, destroyed their characterizing features and abolished their statutory safeguards.

Savings and loan associations for encouraging thrift and assisting home building no longer exist as such in New York, as a matter of law. A savings and loan association may now make loans for any agricultural purpose, such as for a fence, well, chicken-coop, or pig-sty, and finance irrigation, drainage, and risky land-reclamation projects. It may invest ten per cent. of its capital in double-liability shares of the Land Bank. It may pledge 75 per cent. of its resources to the Land Bank. It may guarantee the bonds of the Land Bank, both as to principal and interest, and continue the process until the bonds equal twenty times the amount of the shares it holds of the Land Bank. These bonds may be issued at a premium; thus the former limit of an association's expense is eliminated. The bonds may run for forty years; thus the former limit of one year for which an association's debt might run is eliminated. The special act allows the Land Bank to invest its capital and other funds in real estate loans to anybody within its territory. Since this capital stock is supplied only by the associations, and since the "other funds" will probably come mainly from bonds guaranteed by the associations or secured by their pledged mortgages, the effect of this power is to destroy the local, as well as co-operative, character of the associations and to divert their assets, credit and resources to persons who are not members of them and who are not required to be members of any association. Nothing could be less co-operative or less conducive to thrift.

So the Land-Bank Act has ruined the law on savings and loan associations. A New York association has ceased to be a co-operative thrift society, since it is no longer financed exclusively by members' savings, but may be financed by money coming from the outside. Moreover, it is no longer automatically safe, because it can incur heavy debts and contract liabilities with outside parties. The right, which an association formerly had to obtain a small advance in an emergency, has been enlarged to a borrowing power. If it should avail itself of this power and the other provisions of the new law, an association can encumber itself with debt up to 210 per cent. of its total resources and involve its assets and credit in liabilities to outside parties—to the creditors and bond-holders of the Land Bank—which might run for forty years and amount to millions of dollars.

The radical changes which have been made are truly alarming. There are in round numbers 250 New York savings and loan associations with $65,000,000 of mortgage loans and 162,000 members. These mortgages simply represent the invested savings of the members. Under the old law the members had a first lien on the mortgages and received all the profits from them. But now it is possible under the amended law for members to be divested of this first lien and left without adequate security for their savings while the profits, all of which were formerly distributed in dividends, may be turned over in part to outside parties as interest on bonds. Moreover, this placing, through bond issues, of outside money in competition with the savings of members must necessarily tend to reduce the rate of dividends. The effect of this would be to drive out investor members and fill the associations up with borrowing members, thus destroying the thrift feature of the associations and subjecting the members who remain in them to whatever rigorous proceeding might be necessary to enforce the collection of the interest and principal of bonds held by outsiders. Driven to this extremity, the associations would also lose the spirit of fraternity and the friendly accord which now reign in them.

In order to be accommodated by the Land Bank, an association must buy an initial double-liability share of $1,000, and thereafter maintain its share holdings at one dollar to every $20 of bonds issued in its behalf. These shares cannot be withdrawn until the bonds are redeemed, while the portion representing the association's part of the minimum capital stock of the Land Bank can never be withdrawn. The mortgages pledged with the Land Bank as security must have a face value twenty per cent. greater than the amount of the bonds. These requirements are more onerous than would be imposed on an association by ordinary money lenders. So the question may be asked, why should any association borrow from the Land Bank? The only answer is that the Land Bank, by reason of its tax exemptions, can lend money possibly at a lower rate than investor members can afford to take on their savings. In other words, the scheme of the law is to help borrowing members to the detriment of investor members. The

compensation of the latter is intended to come from the portion of the Land Bank's profits which their association shall receive. The amount of this portion, however, is problematic in view of the fact that the Land Bank is a non-co-operative concern that eventually will have capitalistic expenses to pay, while if it expects to do business with the associations it must furnish them money at a rate so much lower than can be obtained in the local markets that it would cut into its profits.

It is an absurdity to call the Land Bank co-operative. It was not co-operative in its inception, nor is it co-operative in organization or administration. It was formed with the design of lodging the control permanently in the large associations. This was accomplished by allowing voting to be done by shares, instead of giving to all the associations, large and small, equal voice in the management, and by preventing the constitution and by-laws, adopted by the organizers from being changed except by resolution of the directors approved by the Superintendent of Banks. No association can compel the Land Bank to grant loans. All a small association can do is perhaps to make it sell it a share of stock. But this is no more co-operation than is the right to travel on a railroad upon buying a ticket.

Moreover, the Land Bank is not financed co-operatively, since it is empowered to raise money from the investing public by the sale of bonds and to make loans to anybody, member or non-member. For this reason it is not even a thrift or savings institution, and consequently it should not have been accorded tax exemptions.

This legislation was enacted without the consent or even knowledge of the great majority of the associations. The motives of the "agricultural experts" who conceived the idea of denaturing the associations, however, cannot be impugned. They were honest in their beliefs and thought they had found something new and good for the farmers. But their hopes are dashed. Associations are holding aloof, investors are not keen or greedy for the bonds, while the farmers are still dreaming of the long-term three per cent. interest loans that were promised them. The actual output of Land Bank bonds is $50,000, from which farmers got the modicum of $17,000. *Parturiunt montes; nascetur ridiculus mus.*

The bonds were perhaps bought mainly for their tax exemptions. Certainly the fact that some people believe that the law is highly constitutional and that the trusteeing of the bonds' security with the State Comptroller makes them government obligations, could not have led the purchaser into the deal. Laws are not permanent. Many have been repealed; others by the courts have been annulled. The State Comptroller does not examine the security. Even if he did, the examination might not perfect the security. The judgment of public officials is not always infallible. In 1836, for instance, a surplus then in the United States Treasury was deposited with twenty-six states. New York's share was $4,014,520.71. She invested a large part of this sum in loans on farm land. The loans were extended from time to time; none has been collected. The mortgages are on file with the State Comptroller. Many of them are not worth the debt they represent.

If human nature exerts itself, the associations will not deposit their best mortgages with the State Comptroller. If they should deposit those which they are most anxious to get rid of, the assortment of mortgages now on hand in his office might be materially enlarged. And if the Land Bank should undertake long-term operations, that is, make forty-year bonds and forty-year loans, as intended by the statute, affairs might run on for an extended period and the supervising authority obtain no exact information about them.

But the Land Bank in all probability will not engage in such long-term operations or render much service to farmers. There are practical and possibly legal obstacles in the way. These are mentioned in the report of the Ohio State Committee on Rural Credits and Co-operation which Hon. Myron T. Herrick, the chairman, recently submitted to Governor Willis. Copies of this report may be obtained from the headquarters of that committee, 720 Cuyahoga Building, Cleveland.

MEMBERSHIP IN SAVINGS BANK SECTION

Members of the American Bankers Association not at present enrolled in the Savings Bank Section and who are interested in *Savings Accounts* may receive the privileges of the Savings Bank Section without any additional cost by notifying the secretary—M. W. Harrison, 5 Nassau Street, N. Y., that they desire enrollment.

The Mexican Financial Problem and the Present Bank System as a Factor

Reconstruction Succeeding Revolutionary Period, Which Left the Banks Stronger in Metallic Reserves Than They Were Before—The Problem of Note Issues—Comparative Statement of Typical Banks for Normal and Revolutionary Years.

By T. W. OSTERHELD

WITH the recognition by the United States of the de facto Government of Mexico, the revolutionary period is gradually being replaced by the activity of reconstruction. It is most appropriate to give at this time a comparative statement of the financial conditions of the leading banks, both of the City of Mexico and of the States of Mexico, and at the same time the plans and attitude of the Constitutionalists with regard to those banks, and the financial measures advocated by the de facto Government.

The Mexican and French revolutions have run along parallel lines, the difference being one of degree only, brought about by the modifications due to environment and the personal equation of the contending forces. The all-controlling force has been the pressure of the masses for emancipation from economic serfdom. Through adaptation to this controlling revolutionary power two dominant factors have survived; the Constitutionalists, of which General Carranza is the chief exponent, and the banking system of Mexico, of which the Banco Nacional is the chief representative. These two factors will make or unmake the future of Mexico. Their effective co-operation will preserve for the Republic its entity; their failure will mean intervention. This brief nomination of the elementary cause and effect of the revolution has been given in order to make clear the momentous task of reconstruction before the Constitutionalists and the banks.

The Government begins this problem by having outstanding approximately $250,000,000, face value, of its notes and the banks with about $222,600,000, face value, of its notes, with a metallic reserve of 34 per cent., allowing a depreciation charge of 30 per cent. and a 10 per cent. immediately convertible reserve, making a total of 44 per cent.; in addition to which there remain assets, which in a slow liquidation of five years, as allowed by the laws of the Republic, would increase their assets another 30 per cent. Confronted by these conditions, and with the default of interest on the exterior debts, the Government proposes to create a central institution or bank, which shall be the only one having the privilege of note issue. The subscription to the capital of this institution is to be made by the banks and by individuals desirous of participating, in a manner entirely private, the Government's interests and rights being only those of an individual stockholder. It is proposed to follow the plan of the Bank of France and of the Bank of the Netherlands, with their departmental banks and the principle which requires a metallic reserve equivalent to 40 per cent. of the notes and deposits outstanding. The Government proposes to take care of its own outstanding notes until redeemed, and the banks not desiring to enter this arrangement may go into voluntary liquidation.

Government Interference With Banks

By the decree of September 29, 1915, the present investigating committee of the Government was created to examine into the conditions of all the banks of the Republic. This commission, after receiving the balance sheets of the banks as demanded, declared thirteen out of sixteen banks as having violated the laws under which they enjoyed their privileges, giving them only the required thirty days in which to reconstruct their condition or to go into liquidation. This procedure was based upon article 16 of the laws of banking, which reads: "The issue of notes shall not exceed three times the paid-up capital, nor shall it, together with the deposits payable on demand or subject to withdrawal at three days' sight, exceed twice the holdings of the banking cash and silver bullion."

The banks were still further restricted by a later law which did not count silver bullion as cash. This law, quoting exactly the makers of it, "is based on the desire to protect such deposits, which at the pleasure of the depositors are payable through the medium of the check or on the mere presentation of the bank-book and are therefore placed on the same plane with bank notes." The enforcement therefore of this article is believed to be a violation of the laws of equity and against the intent of the law, as will be seen by article 17, which states: "Deposits in running account, and at reciprocal or differential interest, even though subject to check, shall not be regarded for the purpose of the foregoing article as payable on demand or subject to withdrawal within three days' notice." This section of the law plainly gives the right to the banks and their depositors to enter into arrangements mutually protective under stress such as had existed in Mexico for the past three years.

Comparative Bank Statements

Yielding to diplomatic representation, however, so reported from London, the Constitutional Government modified its position by extending an invitation to the banks to become shareholders of the Central Bank plan and thus show a desire to recognize the rights and equities of the banks in Mexico. This then is the present attitude of the Government subject to the changes which may result from the conference now in progress at Queretaro. Great value, therefore, attaches to the com-

parative statements of the different banks, their conditions under a normal year, such as 1909, and two abnormal years, such as the end of 1913 (under the régime of General Huerta) and 1915, when the contest for the supremacy of the different revolutionary forces was at its height. There is submitted, therefore:

FIRST: A comparative statement of all the banks of Mexico for 1909 and 1915.

SECOND: The statement of the Bank Nacional for the years 1909, 1913 (the most critical of General Huerta's period) and 1915.

THIRD: A similar statement of the Bank of Londres & Mexico for 1909, February, 1914 (after suspension of specie payment), and April, 1915.

FOURTH: The statements of the Mercantile Bank of Vera Cruz (the most important port of entry in the Republic) on November 30, 1909, and in November, 1915, and

FIFTH, and last: The comparative statement of the Bank of Neuva Leon, of November, 1909 and 1915 (the most exposed State bank in the northern part of the Republic).

Comparison of the Balances for 1909 and 1915, of all the Banks of Emission in the Republic of Mexico.

All Amounts in Mexican Dollars @

Gold ..... 49.72 Silver ..... 43.50 Frac. cur..... 36.00

ASSETS	April 30, 1909	April 30, 1915	April 30, 1915 Increase	April 30, 1915 Decrease
Capital not paid in	$1,022,600.00	$400,000.00		$622,600.00
Gold (Mexican)	$45,529,827.00	$55,234,290.00	$9,704,463.00	
Silver	28,417,977.00	19,410,993.00		$9,006,984.00
Fractional currency	5,500,698.82	2,744,992.91		2,755,705.91
Gold bars		6,371,156.26	6,371,156.26	
Silver bars		2,862,979.18	2,862,979.18	
Total metal	$79,448,502.82	$86,624,411.35	$7,175,908.53	
Notes of other banks	2,957,445.00	9,503,572.01*	6,546,127.01	
Total cash	$82,405,947.82	$96,127,983.36	$13,722,035.54	
Stocks and bonds immediately realizable	43,645,504.66	46,193,794.25	2,548,289.59	
Treasury notes, 1913. Last quotation 63½ gold, December, 1915		27,365,297.90	27,365,297.90	
Other values		8,070,147.59	8,070,147.59	
Discounts	88,270,272.85	8,608,758.56		$79,661,514.29
Loans with signatures		66,665,996.20	66,665,996.20	
Loans on collateral	52,138,544.37	18,602,639.77		33,535,904.60
Creditor current accounts	93,389,001.05	115,531,704.75	22,142,703.70	
Various credits	74,113,018.21	139,664,115.27	65,551,097.06	
Participation	3,808,837.03	3,050,713.52		758,123.51
Real estate	6,959,861.58	11,816,582.31	4,856,720.73	
Fixtures	873,851.91	809,681.59		64,170.32
Impersonal credits	30,629,696.23	20,003,274.32		10,626,421.91
Operation with funds of the Commissioner of Exchange		119,244.92	119,244.92	
Accounts in trust	238,278,436.84	160,691,289.99		77,587,146.85
Mortgage loans	10,809,670.07	14,044,667.25	3,234,997.18	
Agricultural loans		537,950.00	537,950.00	
Adjustments in payment	2,627,331.17			2,627,331.17
TOTAL CREDITS	$728,972,573.79	$738,303,841.55	$226,577,170.32	$217,245,902.56
TOTAL INCREASE			$9,331,267.76	

DEBITS. (All banks.)

Authorized capital	$118,300,000.00	$115,525,000.00		$2,775,000.00
Reserve funds	32,513,243.92	32,836,277.51	$323,033.59	
Special guarantee funds	18,082,168.52	11,542,982.90		6,539,185.62
Deposits at sight	69,279,273.87	31,347,270.80		37,932,003.07
Deposits more than three days	52,640,122.43	37,872,914.03		14,767,208.40
Notes in circulation	88,090,452.00	222,588,835.75	134,498,383.75	
Miscellaneous creditors	67,590,435.35	48,305,788.66		19,284,646.69
Creditors for accounts allowed		23,957,223.30	23,957,223.30	
Creditors impersonal	44,198,440.86	52,979,063.69	8,780,622.83	
Securities and accounts in trust	238,278,436.84	160,691,289.99		77,587,146.85
Agricultural loans		537,950.00	537,950.00	
Operation with funds of Ex. Com.		119,244.92	119,244.92	
TOTAL DEBITS	$728,972,573.79	$738,303,841.55	$168,216,458.39	$158,885,190.63
TOTAL INCREASE			$9,331,267.76	

*Bills plus Constitutional currency.

Banco Nacional de Mexico

Comparative Statement of the National Bank of Mexico for the years 1909, 1913 and 1915 for the following months.

ASSETS				Difference Between the Years 1913 and 1915 on April 30, 1915	
	Apr. 30, 1909	Oct. 30, 1913	Apr. 30, 1915	Increase	Decrease
Gold coin	$25,717,440.00	$23,942,705.00	$31,611,555.00	$7,668,850.00	
Silver dollars	16,227,364.00	2,201,558.00	2,355,049.00	153,491.00	
Fractional currency	4,023,467.39	950,164.56	1,622,216.88	672,052.32	
Silver bars					
Gold bars					
Total metal	$45,968,271.39	$27,094,427.56	$35,588,820.88	$8,494,393.32	
Bills of other banks	813,715.00	822,300.00	3,550,440.90*	2,728,140.90	
Total cash	$46,781,986.39	$27,916,727.56	$39,139,261.78	$11,222,534.22	
Stock, bond shares	10,256,069.58	17,801,942.33	11,773,510.85†		$6,028,431.48
Discounts	23,794,719.79	8,728,845.05	4,906,756.23		3,822,088.82
Loans with collateral	18,575,764.29	13,704,608.64	4,014,931.94		9,689,676.70
Mortgage loans		4,723,560.43	5,351,022.65‡	627,462.22	
Loans with signature and loans		15,618,914.35	5,556,025.55		10,062,888.80
Creditors current account	44,646,589.95	69,258,390.65	51,387,619.85		17,870,770.80
Various debtors	29,422,992.61	69,756,762.28	69,350,097.18		406,665.10
Participation	3,808,837.03	1,919,895.79	3,050,713.52	1,130,817.73	
Shares not issued	372,600.00	196,500.00	185,700.00		10,800.00
Impersonal debits	20,690,675.54	13,656,849.14	9,787,505.25		3,869,343.89
Real estate	2,206,674.99	2,707,359.02	3,506,034.29	798,675.27	
Fixtures	317,347.22	267,484.65	224,396.12		43,088.53
Securities in trust	101,574,431.87	9,874,390.93			
Etc.	1,013,390.72	117,521,787.84	2,386,687.62		125,009,491.15
Total Credits	$303,462,079.98	$373,654,018.66	$210,620,262.83	$13,779,489.44	$176,813,245.27
Total Decrease					$163,033,755.83
DEBITS					
Authorized capital	$32,000,000.00	$32,000,000.00	$32,000,000.00		
Reserve fund	16,000,000.00	16,000,000.00	16,000,000.00		
Guarantee fund	11,300,000.00	12,400,000.00	7,016,897.90		$5,383,102.10
Bills in circulation	$37,494,220.00	$75,079,071.00	$79,270,565.00	$4,192,494.00	
Bills in circulation { Campache	72,425.00	8,240.00	6,480.00		1,760.00
Bills in circulation { Michoacan	260,455.00	27,700.00	17,120.00		10,580.00
Total bills	$37,827,100.00	$75,115,011.00	$79,295,165.00	$4,180,154.00	
Accounts of check sight drafts:					
Without interest	1,277,165.80				
With interest	40,361,705.44				
Total amount	$41,638,871.24	35,186,911.70	13,919,090.91		21,267,820.79
Various creditors	14,126,489.69	16,257,920.95	12,566,642.93		3,691,278.02
Cred. by ackd. accounts		32,199,132.78	10,446,549.06		21,752,583.72
Deposits of fixed time	16,603,784.58				
Impersonal credits	31,378,011.88	27,098,863.46	36,989,229.41	9,890,365.95	
Securities in trust					
Securities	101,574,431.87	9,874,390.93			
Other accounts	1,013,390.72	117,521,787.84	2,386,687.62		125,009,491.15
Total Debits	$303,462,079.98	$373,654,018.66	$210,620,262.83	$14,070,519.95	$177,104,275.78
Total Decrease					$163,033,755.83

* Bills and Carranza currency. †Values realizable, immediately. ‡Operations mortgage.

Local Banks Withstood Revolution

In creating the banking system of Mexico, Mr. Limantour and his associates established a system of local banks which have withstood a revolution such as would have swept away any system of banks anywhere, as is evidenced in the past by the great crisis in France in 1796 and in England in 1815 and 1816.

A comparison of the balances of all the banks shows approximately $83,000,000 cash, to meet a circulation of $222,588,000, which after allowing for a 12 per cent. depreciation of value of silver, a 60 per cent. depreciation of the value of bank notes, and an 88 per cent. depreciation of their holdings of Carranza currency, still leave to the banks .376 cents silver equivalent to meet each dollar of notes outstanding. This calculation does not take into consideration the reserves of $44,379,260.41 nor the values immediately realizable of $46,193,794.85 the latter of which have always been quick assets, due to the experience of 1907, which showed up this weakness in the banks. In other words, the Mexican banks have always been taught by the central government that the system of bank currency was the only safe and reliable one for the banks of Mexico. Disregard for a moment, in the comparative statement of all the banks, the $27,365,297.90 of treasury notes of 1913 (forced upon the banks by General Huerta) and the resulting increase of notes of $82,000,000, the amount of bullion to meet the notes and deposit accounts, will reach a per-

Banco de Londres y Mexico

Comparative Statement of the Bank of London and Mexico for the years 1909, 1914 and 1915.

ASSETS				Difference Between the Years 1914 and 1915 on April 30, 1915	
	Apr. 30, 1909	Feb. 28, 1914	Apr. 30, 1915	1915 Increase	1915 Decrease
Gold coin	$8,072,695.00	$10,956,105.00	$7,645,390.00		$3,310,715.00
Silver dollars	2,636,523.00	2,012,337.00	3,339,891.00	$1,327,554.00	
Fractional currency	395,917.07	26,475.97	603,041.94	576,565.97	
Silver bars			2,862,979.18	2,862,979.18	
Gold bars		2,616,325.48	5,962,671.83	3,346,346.35	
Total metal	$11,105,135.07	$15,611,243.45	$20,413,973.95	$4,802,730.50	
Bills of other banks	887,155.00	855,461.00	2,531,967.00	1,676,506.00	
Total cash	$11,992,290.07	$16,466,704.45	$22,945,940.95	$6,479,236.50	
Stocks and bonds immediately realizable	9,365,764.16	15,780,102.39	10,153,413.19		$5,626,689.20
Treasury notes, 1913			11,705,885.90	11,705,885.90	
Discounts	31,005,648.87	2,588,771.49	386,821.97		2,201,949.52
Loans with signatures		29,307,622.50	38,194,394.33	8,886,771.83	
Loans on collateral	22,021,944.47	11,582,356.51	3,944,635.73		7,637,720.78
Mortgage loans	2,415,148.85	5,044,977.31	4,298,515.86		746,461.45
Creditors current account	7,946,972.95	26,299,844.18	8,738,671.09		17,561,173.09
Various debtors	2,982,700.29	1,287,370.05	1,944,503.34	657,133.29	
Real estate	1,006,406.20	2,601,352.87	2,644,000.00	42,647.13	
Fixtures	42,170.53	64,239.03	45,263.19		18,975.84
Impersonal credits	336,578.00	3,637,722.29	1,558,795.03		2,078,927.26
Securities in trust	78,541,254.00	80,675,202.40			7,520,809.30
Other accounts	10,094,436.75	6,101,910.96	79,256,304.06		
Total Credits	$177,751,315.14	$201,438,176.43	$185,817,144.64	$31,082,389.65	$46,703,421.44
Total Decrease					$15,621,031.79

DEBITS					
Capital	$21,500,000.00	$21,500,000.00	$21,500,000.00		
Reserve funds	10,750,000.00	10,750,000.00	8,200,000.00		$2,550,000.00
Special guarantee funds	4,350,000.00	5,150,000.00			5,150,000.00
Deposits at sight	25,006,525.08	22,771,053.61	15,692,710.00		7,078,343.61
Deposits more than three days	1,351,301.15	3,695,291.94	1,137,873.76		2,557,418.18
Notes in circulation	13,495,206.00	45,059,321.00	52,388,961.00	7,329,640.00	
Miscellaneous creditors	9,045,066.44	2,075,361.15	1,163,639.37		911,721.78
Creditors for accounts allowed					
Creditors impersonal	3,617,525.72	3,660,035.37	6,477,656.45	2,817,621.08	
Securities and accounts in trust	78,541,254.00	80,675,202.40	79,256,304.06		1,418,898.34
Agricultural loans					
Operation with funds of Ex. Com					
Other accounts	10,094,436.75	6,101,910.96			6,101,910.96
Total Debits	$177,751,315.14	$201,438,176.43	$185,817,144.64	$10,147,261.08	$25,768,292.87
Total Decrease					$15,621,031.79

centage such as the Bank of the Netherlands exercises in limiting its note circulation.

Even under the most adverse circumstances, and including in the general averages the statements of the Bank of Londres and the Banco Nacional, whose privileges of note circulation are much more liberal than those of the State banks, we find an increase of assets of $9,331,267.76, as compared with one of the stable years in Mexico, and this increase is practically represented by $7,175,908.53 in metallic cash. The months of October, 1913, to February, 1914, constitute the most disastrous period of banking in Mexico, and so shows itself in the statements of the Bank of Londres & Mexico and the Banco Nacional. By April 30, 1915, however, these banks had shown substantial improvement in their cash holdings and a large decrease in their debits. These statements demonstrate very clearly the recuperative powers of the banking system of Mexico and its potentialities in the reconstructive epoch now taking place in Mexico. There was a radical change in the sum total of the assets of the Banco Nacional, which change no doubt reflects the desire of the stockholders and directors to reduce to the lowest possible level, liabilities of any nature. No information, however, appears available at this moment as an explanation.

The comparative statement of the balances of the Mercantile Bank of Vera Cruz shows a balance increase of $6,582,795.26 over 1909; and the Bank of Nueva Leon $1,966,318.36—the latter bank being almost in the center of the revolutionary district and the battle ground of all combating factions. Both, however, were able to retain cash reserves sufficient to comply with article 16 of the banking law, as well as to increase their holdings of metal, both of gold and silver.

Special Note Issue Privileges

At this point it is well to state that three banks enjoy special privileges as to note issue, because of

Banco Mercantil de Vera Cruz

Comparative Statement of the Mercantile Bank of Vera Cruz for the years 1909 and 1915 for the following months

ASSETS			November 30, 1915	
	Nov. 30, 1909	Nov. 30, 1915	Increase	Decrease
Gold coin	$1,174,985.00	$1,016,020.00		$158,965.00
Silver dollars	908,574.00	1,404,885.00	$496,311.00	
Fractional currency	289,750.30	8,637.71		281,112.59
50c. pieces		76,033.50	76,033.50	
Total metal	$2,373,309.30	$2,505,576.21	$132,266.91	
Bills of other banks	92,832.00	2,366,313.00*	2,273,481.00	
Gold, Bank of Tabasco		202,310.00	202,310.00	
Silver dollars, Bank of Tabasco		177,000.00	177,000.00	
Total cash	$2,466,141.30	$5,251,199.21	$2,785,057.91	
Stocks and bonds immediately realizable	1,031,504.00	797,535.00		$233,969.00
Discounts	388,441.94	38,852.23		349,589.71
Loans	3,564,442.98	1,865,824.62		1,698,618.36
Loans with collateral	713,232.03	689,177.13		24,054.90
Mortgage loans	489,006.66	23,658.20		465,348.46
Various debtors	627,400.72	1,269,042.22	641,641.50	
Other bank debits	1,313,048.86			1,313,048.86
Real estate	245,127.65	621,945.97	376,818.32	
Fixtures	19,349.30	12,908.05		6,441.25
Impersonal debts	148,486.14	283,504.34	135,018.20	
Other values	531,934.74	2,506,491.46	1,974,556.72	
Securities in trust	2,331,889.59	7,092,662.74	4,760,773.15	
			$10,673,865.80	$4,091,070.54
TOTAL CREDITS	$13,870,005.91	$20,452,801.17	$6,582,795.26	
TOTAL INCREASE			$6,582,795.26	

DEBITS				
Capital	$3,000,000.00	$3,000,000.00		
Reserve fund	645,734.98	849,094.25	$203,359.27	
Guarantee fund	306,674.63	690,971.73	384,297.10	
Bills in circulation	3,345,770.00	4,076,805.00	731,035.00	
Deposits, check (without interest)	108,039.61	339,376.91	231,337.30	
Deposits for long term	916,541.46			$916,541.46
Deposits at more than three days' sight	2,062,399.85	2,149,959.96	87,560.11	
Cash, Bank of Tabasco		379,310.00	379,310.00	
Creditors by acknowledged accounts	232,617.58			232,617.58
Various creditors	77,457.59	946,083.91	868,626.32	
Other bank creditors	206,166.20			206,166.20
Impersonal creditors	636,649.12	658,536.67	21,887.55	
Other values	65.30			65.30
Securities in trust	2,331,889.59	7,092,662.74	4,760,773.15	
Special guarantee fund		270,000.00	270,000.00	
			$7,938,185.80	$1,355,390.54
TOTAL DEBITS	$13,870,005.91	$20,452,801.17	$6,582,795.26	
TOTAL INCREASE			$6,582,795.26	

*Some Carranza bills.

special concession given them as the oldest banking institutions in Mexico. The Banco Nacional is allowed to issue three times its cash holdings in notes. The Bank of Nueva Leon may issue notes to the amount of three times its cash, less the deposits at sight, or on demand at three days. The Bank of Londres & Mexico is privileged to issue notes to the amount of twice its holdings in cash, without regard to its sight or demand deposits. The founders of the Mexican system of banks knew their country well and its wants most thoroughly and provided for a system of banks and their management most efficiently. It was contended by them that the Republic of Mexico, with its vast territory, its sparse population, its imperfect means of communication, and the immense variety of its products, required for each State a localized bank, local in interest and local in composition. The banking system of France and that of the Netherlands is admirably adapted to those countries, with their intense concentration of population, and a limited territory with a network of railroads and systems of communication, but this would in no way serve by adaptation to the needs of Mexico.

Financial Revolution Not Needed

The Republic of Mexico may have needed a revolution to overthrow its political system but it certainly does not need an economic revolution of its banking institutions. The Constitutional Government has outstanding, if we are rightly informed here, $250,000,000 of notes. The banks have reported over $82,000,000 of bank notes issued, based upon treasury 6 per cent. gold notes of 1913, which they hold at $27,365,298. The average

Banco de Nueva Leon

Comparative Statement of the Bank of New Leon for the month of November in the years 1909 and 1915.

ASSETS	Nov. 30, 1909	Nov. 30, 1915	November 30, 1915 Increase	Decrease
Gold in bank and branches	$573,670.00	$828,300.00	$254,630.00	
Silver dollars in bank and branches	235,705.00	201,938.00		$33,767.00
Fractional currency	52,318.99	13,221.18		39,097.81
Total metal	$861,693.99	$1,043,459.18	$181,765.19	
Bills of other banks	173,521.00	469,020.00	295,499.00	
Bills not bank bills		47,500.00	47,500.00	
Total cash	$1,035,214.99	$1,659,979.18	$524,764.19	
Loans	1,126,799.28	354,437.01		$772,362.27
Discounts	140,840.33	78,351.44		62,488.89
Loans with collateral	1,129,279.49	721,845.42		407,434.07
Creditors running account	3,117,486.64	4,053,500.00	936,013.36	
Mortgage loans	90,067.94	127,192.62	37,124.68	
Values immediately realizable	782,900.00	812,416.66	29,516.66	
Various debtors	1,784,939.94	1,042,338.51		742,601.43
Other realizable values		152,573.00	152,573.00	
Impersonal debts	104,442.06	195,573.39	91,131.33	
Fixtures and equipment	35,092.23	21,592.10		13,500.13
Real estate	225,000.00	225,000.00		
Securities in trust	4,598,065.00	6,691,646.93	2,093,581.93	
			$4,037,569.96	$2,071,251.60
Total Credits	$14,170,127.90	$16,136,446.26	$1,966,318.36	
Total Increase			$1,966,318.36	

DEBITS				
Capital paid in	$2,000,000.00	$2,000,000.00		
Bills in circulation	2,206,085.00	2,674,780.00	$468,695.00	
Deposits at sight:				
Without interest	49,011.75	23,132.05		$25,879.70
With interest	43,252.89	11,282.97		31,969.92
Deposits more than three days	3,009,839.26	2,169,257.67		840,581.59
Creditors by acknowledged accounts	755,513.36	794,657.62	39,144.26	
Various creditors	590,835.39	709,289.45	118,454.06	
Impersonal credits	169,693.39	33,621.44		136,071.95
Reserve fund	414,420.90	653,778.13	239,357.23	
Provisal fund	232,575.13	350,000.00	117,424.87	
Special guarantee fund	100,835.83	25,000.00		75,835.83
Securities in trust, values normal	4,598,065.00	6,691,646.93	2,093,581.93	
			$3,076,657.35	$1,110,338.99
Total Debits	$14,170,127.90	$16,136,446.26	$1,966,318.36	
Total Increase			$1,966,318.36	

minimum exchange value of the Constitutional currency has been 4 cents gold per dollar and its maximum value 10 cents gold per dollar, making an average of 7 cents gold per dollar. During this period the minimum market value of the bank notes has been 13 cents and their maximum 25 cents, making an average of 19 cents in notes per gold dollar. Both of these issues are fiat money and therefore should be retired. To retire them would require, for the Constitutional bills, $17,500,000 American gold, and for the bank notes approximately $15,600,000, American gold, making a sum total of $33,100,000. An issuance of $50,000,000 of 5 per cent. gold bonds, due in series, guaranteed jointly by the Mexican Government and all the banks of Mexico, provided for by internal revenues on non-productive consumption and bank clearances, would at once retire every note of fictitious and unsound value and leave sufficient to protect the international exchanges of both the banks and the Government. Its effect would parallel the result attained by the Banks of France in their financing after the revolutionary war of 1796 through the forced retirement of the then circulating mandats.

The Central Bank of Mexico has always been a success as a clearing house for the State banks and it would only be necessary to make it a bank entirely owned by all the banks of Mexico, excluding all private ownership, giving it the added privilege of negotiating and regulating all domestic and foreign exchanges. Its retention is an economic necessity. If modeled upon the admirable system of our own New York clearing house, with its checks, the supervision of its individual members, it would be correct to say that the Mexican situation had improved.

If this article should call the attention of the many institutions of the United States to the great struggle which the banks of Mexico have made for existence, to their prudence and skill of management, it will have served its purpose, and is submitted with the hope that it may call forth active help and co-operation.

Origin of American Finances Dates Back to Charles I of Spain and Time of Cortes

Use of Money, Accounts, Interest, and Credit Understood by Mexicans Subjugated 1521 by Spanish Conqueror —Mint in Full Operation, Known by Same Name as Venetian "Sicca"—The Monetary System of Spain.

By ALEXANDER DEL MAR.

IT is a common belief that American finances had their origin in the settlement of New England. But this is so far from the fact that a complete system of finance, with mints, moneys, loans, interest charges, accounts, treasurers, comptrollers, auditors, etc., was established in America a century before the Pilgrim fathers landed on Plymouth Rock. The fathers might, indeed, have known of it, because before sailing from Plymouth they started from a place in the dominions which had been ruled by Joanna and afterward by her son Charles, the same sovereign who established the finances of Spanish America. But until necessity compelled them to create a monetary system on "country produce," the social system of the fathers was one of barter; an immediate exchange of one thing for another, out of hand.

The financial system of Spanish America was established immediately after the subjugation of Mexico by Cortes in 1521. The conqueror found himself in possession of a kingdom containing a population of approximately fifteen millions, supported by pasturage, agriculture, mining, manufacturing and commerce. They used money, kept accounts, charged interest and gave credit. Upon these foundations the king of Spain, Charles I, under the advice of Cardinal Ximenes and his council, established that complicated system of finance and auditorship which almost monopolizes the four folio volumes of the "Recopilacion," or Finance Code of "Las Indias," the name they gave to America. To describe it in one paper is impracticable. As it necessarily falls into two branches, money and revenues, these will be dealt with separately.

CHARLES I, OF SPAIN, AND HIS BROTHER FERDINAND.

To their amazement the Spaniards found in Mexico a mint, which was known in the native language by the same name as the mint in Venice. This was *sicca*. The Venetian mint stamped sekkins, sequins or zecchini; the Mexican mint was called *zicca* and issued zicchipil, or xiquipili. The Venetian term came from the Arabians, who got it in India, where the *sicca* rupee was the standard coin. Whence the Mexican term came has never been settled. The reader who may be interested in these startling anonyms will find the subject discussed in the work mentioned at foot.*

Setting aside the commodities employed for money in the remoter districts of Mexico, the legal currency of the Aztec empire consisted of flat copper (sometimes tin) pieces of a peculiar shape, something like that of the ancient chisel, the modern meat-chopper, with cacao beans for small change; upon the following scale of equivalents:

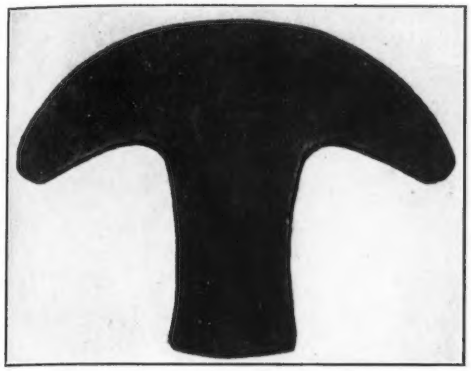
AMERICAN MONEY BEFORE THE SPANISH CONQUEST

20 cacao beans	=1 olotl
20 olotl	=1 zontle
20 zontle	=1 siccapili, or xiquipili.

After the conquest the Spaniards added "three siccapili equal one carga." This Spanish word means a load, a bunch or a package. It may also mean a burden, an impost, a tax; and this last may be the sense in which it was used by the Spaniards in connection with the Mexican monetary system. As the carga of cacao beans was afterwards valued by the Spaniards at fifteen pesos (200 beans to the real de plata) it follows that the siccapili was worth five pesos. Therefore, in a certain sense, this piece among the aboriginal Mexicans represents, among other native moneys, what the "sovereign" now does in England and the "half-eagle" in the United States. At the same time this valuation must not be taken to relate to its purchasing power over commodities.†

*History of Money in America. Cambridge Encyclopedia Co., New York, 1900, pp. 150. A. B. A. Library.

†Father Du Halde (Hist. China) says that the copper money of the Emperor Han (Hia dynasty, 2117 B. C.) was "edged with a border, a little standing out." So are the Aztec *siccapili;* although this edge is not shown in the photo of these coins, because it was taken from the wrong side. The emperor who followed Han (Chau-Kang of the same dynasty) "put down copper money" and substituted porcelain coins, some of which are still extant. "Under the first dynasty of Tang (619 B. C.) 3,300 pieces of money, with three feet" were found in the banks of the Yellow River. The outline of the Aztec money may easily be taken for "three feet," though it really represents, or is intended to represent, a bird on the wing, or flying money, called *tchilsee* by the modern Chinese.



MEXICAN SICCAPILI OR XIQUAPILI.

Siccapili also appears in the name of the native mint-house, which was called *asiquipilco*. In 1535 the Spaniards restored and occupied the same structure for their own mint. The earliest allusion to the cacao-butl of America occurs in the journal or log-book of Columbus, 1502; the earliest mention of the xiqua or sicca of the Mexicans is in a letter of Cortes to the king of Spain, dated October 15, 1524.

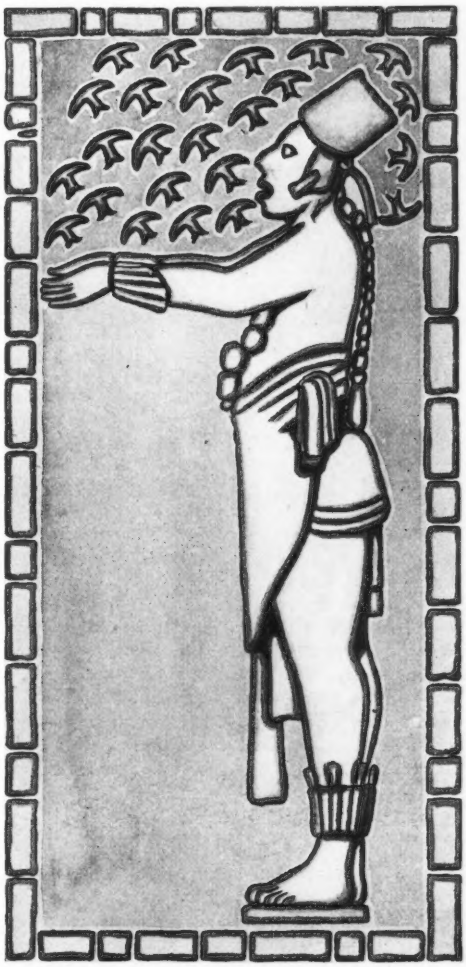
We now turn to the monetary system of Spain at the period of the discovery of America. The principal coins were the gold castellano, sixty-three and one-half grains fine; the gold ducat, about fifty-six grains fine, identical with the Venetian sequin; the real de plata, of fifty-one and one-quarter grains fine silver. These coins were valued in maravedis as follows: the maravedi, one; real, thirty-four; ducat, 383; castellano, 490. On or before 1579 the ducat was raised to 434 and the castellano to 556 maravedis. The dobla and pistole were double ducats; the escudo was a silver piece of eight reals, or piesas de á ocho, or peso fuerte, a "hard" dollar, the same as the Spanish dollars which circulated in the United States at par until 1854. There were several other coins, but these are the ones most commonly mentioned in the narratives of the conquistadores, Cortes, Pizarro, Vasco Nunez, etc. At first one-half of the plunder went to the crown; afterwards one-fifth, the quinto.

So early as 1535 counterfeit Spanish coins were reported to be in circulation in America. To stop this practice the native mint was overhauled and Spanish coins were permitted to be struck in the vice-royalty of Mexico. This was very different from the British policy toward New England a century later. There, the only money permitted to circulate had to be coined at the Tower of London, a frequent cause of irritation on the part of the colonists. In 1550 all dealings in Spanish America were forbidden in gold dust or bullion—a sign that the heavy mint charges of the crown (derechos) were being evaded.

A vexatious diversity of weights and measures was remedied by ordering that after 1581 those employed in the various vice-royalties or provinces of America were to be the same as those of Toledo (New Castile); while the vara or yard was to follow that of Old Castile. A trade having sprung up with some of the colonists in North America, a mint was established in Hispaniola, where gold, silver and billon moneys were ordered to be struck. The billon coins having been counterfeited, leather or paper notes were substituted in their place. These were the first "greenbacks" in America, north or south.

It having transpired about 1596 that the colonial officials were in the habit of exacting the king's dues in heavy coins and paying the public expenses with light ones, the practice was forbidden under severe penalties; at the same time the viceroy of Peru was enjoined to confine the Indians to the work of mining, and not to permit them to leave the mines upon any account. (Poor fellows!)

In 1603 the value of all billon and copper coins was



AZTEC OFFERING OF MONEY TO THE GODS.

doubled by decree in Spain. This desperate financial recourse of Philip III brought about a virtual suspension of coin payments caused by the exportation of full-weighted gold and silver coins to North America and elsewhere. The premium on silver coins in Spain rose to forty per cent. in billon coins. Great monetary confusion ensued both in Spain and Spanish America; and this led to the most remarkable and fundamental monetary legislation in the entire annals of finance: the privilege of "free coinage," never before known to have been permitted in any country. Commencing in Spain and Spanish America, it next extended to the Netherlands and finally to England, where it was enacted in 1666.

At this juncture in the annals of early American finance the monetary affairs of the Spanish possessions become connected with and merged into those of the British possessions in the north. Considerable quantities of the precious metals began to be smuggled from South to North America, whence it was shipped to England, there to be coined in the Tower mint. It is needless to say that this metal paid no quinto, or other derechos, to his majesty of Spain. After an interval colonial and even surreptitious mints sprang up in the British colonies, mints which evaded the seigniorage and other coinage dues exacted in England. In 1652 (October 19th) a mint erected in Massachusetts began to issue good pine-tree shillings and six-penny pieces; an example that was shortly afterward emulated in Maryland (about 1662). Hull's mint in Massachusetts ran on prosperously until 1686, when the Royal Government put it down; whereupon the indomitable colonists began to issue paper money. They had for examples the leather and paper moneys of San Domingo (Hispaniola) issued in 1638, the Swedish "transport" notes of 1658, and the treasury notes of Oliver Cromwell issued about the same time. In 1690 the Colony of Massachusetts began to issue twenty shilling legal tender notes, and the financial war was begun which ended in the Revolution of 1776.

NOTE.—Besides making offerings of money to the gods, the Aztecs buried coins with the dead. This is a very ancient custom. The most rare or valuable coins were stamped with the images of the gods of antiquity and were held to be sacred. The Chinese practiced this custom until it was forbidden by law; now they burn imitation paper money at a funeral. The Babylonians buried the dead with little legal-tender bricks, one of which, exhumed by Mr. Hormudz Rassam, assistant to Sir Henry Layard, at Nineveh in 1843, is in possession of the present writer. The Romans must have indulged in the same custom, for it is forbidden in the Twelve Tables. ("*Nere aurum addito.*" Tab. X, Sec. 9.) The Aztecs, Mayas and Peruvians buried money with their dead; and their graves were sold at auction by the Spanish conquerors. It was like a lottery. Some bidders got only copper siccapilli; others drew golden prizes, some of considerable value. (Del Mar's "History of the Precious Metals," index words "Graves" and "Huacas.")

FEDERAL LEGISLATIVE COMMITTEE AT WASHINGTON

The Federal Legislative Committee of the American Bankers Association held a meeting on call of the chairman at Washington, January 19th, for the purpose of discussing important matters connected with the Federal Reserve Act. In addition, a joint meeting was held with the executive committee of the National Bank Section, at which Charles A. Hinsch, chairman of the Federal Legislative Committee, presided. Questions were agreed on for discussion with the conference of governors of Federal reserve banks, with which body a meeting was later held, resulting in a helpful interchange of ideas. A complete report of this joint conference will be found under the National Bank Section heading in this issue.

BANKING POWER OF THE COUNTRY

In his annual report to Congress Comptroller of the Currency John Skelton Williams characterizes the operation of the national banks during the period from October, 1914, to November, 1915, the first year under the Federal reserve system, as "development and growth never paralleled in the financial history of any country." In his comparative statement of the condition of national banks he shows that the net resources of the banks increased in the year $1,743,878,648; that deposits increased $2,081,530,164, and that loans and discounts increased $917,450,502. Available cash increased in the same period $826,000,000 and on November 10, 1915, the reporting national banks had excess reserves of $891,000,000. The Comptroller's tables of the comparative condition of national banks show that in September, 1895, there were 3,712 reporting banks with net deposits of $1,989,300,000 and loans and discounts of $2,059,408,402, while in November, 1915, there were 7,617 reporting banks with net deposits of $9,079,471,447 and loans and discounts of $7,233,928,973. The report also recites that the reserves held by the national banks on November 10, 1915, exceeded by $587,000,000, the greatest reserve ever held at any time prior to the passage of the Federal Reserve Act, while loans and discounts amounted to more than the total loans and discounts of all banks—including national, state, savings and private banks and loan and trust companies—as late as 1902.

Speaking of the "banking power" of the country—the capital, surplus, circulation, deposits, etc., of all the reporting banks, national and otherwise—with an estimate of the figures for non-reporting banks, Mr. Williams points out that this amounted in June, 1915, to $25,397,100,000, showing an increase in a year of about $1,057,100,000. Savings bank depositors increased by 176,256 during the year ending last June with total deposits of $4,997,706,013, an increase of $61,114,163. The average deposits, however, decreased from $444.36 to $442.83, while the number of banks increased from 2,100 to 2,159.

CLAYTON ACT MAKES MANY CHANGES IN NATIONAL BANK DIRECTORATES

Although Section 8 of the Clayton law which relates to interlocking bank directorates does not become operative until October 15th, stockholders of many national banks took action designed to comply with the new law at the annual meetings held on January 11th. As a result numerous changes were made in the boards of directors, particularly in the case of the large banks located in New York, Chicago, Philadelphia and Boston.

Section 8 of the Clayton law, passed October 15, 1914, provides that no person shall at the same time be a director, or other officer or employee of more than one bank, banking association or trust company organized or operating under the laws of the United States, either of which has deposits, capital, surplus and undivided profits aggregating more than $5,000,000; and no private banker or person who is a director in any bank or trust company organized or operating under the laws of a state having deposits, capital, surplus and undivided profits aggregating more than $5,000,000 shall be eligible to be a director in any bank or banking association organized or operating under the laws of the United States.

The law further provides that no bank, banking association or trust company operating under the laws of the United States, which is located in a city of more than 200,000 population shall have as a director, officer or employee any private banker or any director, officer or employee of any other bank, banking association or trust company located in the same city.

There are three exceptions to the prohibition against interlocking directorates, besides the qualifications respecting the size of institutions and the population of the places where located. These are: (1) the prohibition does not apply to mutual savings banks which have no capital stock; (2) the director, officer or employee may be an officer, employee or director of one other bank or trust company where the entire capital stock of one is owned by stockholders in the other; and (3) the prohibition does not apply to a Class A director in a Federal reserve bank who serves as a director, officer or employee in a member bank.

Chief among the changes made in the directorates of New York national banks was the elimination of four bank presidents from the board of the National Bank of Commerce. The board was reduced from twenty-five to twenty-one members, the retiring directors being: Frank A. Vanderlip of the National City, Albert H. Wiggin of the Chase, Francis L. Hine of the First National and William A. Simonson of the Second National.

Mr. Vanderlip also announced his resignation from the boards of the American Security & Trust Company and the Riggs National Bank of Washington and of the Farmers Loan & Trust Company of New York.

A. Barton Hepburn, chairman of the board of the Chase National, resigned from the board of the First National, and from the board of a Newark institution.

Stockholders of the Chase increased the membership of its board from eight to eleven by adding Charles M. Schwab, president of the Bethlehem Steel Company; Daniel C. Jackling of San Francisco, president of the Utah Copper Company; and Frank A. Sayles, a New England textile manufacturer and president of the Slater Trust Company of Pawtucket, R. I. The place of James J. Hill of the Great Northern Railway was given to his son, James N. Hill.

The most radical changes which the Clayton law will enforce will be in the case of the Bankers Trust Company of New York, the directorate of which consists of fourteen national bankers out of a total of twenty-eight. At the January meeting the stockholders took no action, and it was announced that the personnel of the board would be readjusted gradually in compliance with the law some time before October 15th.

It will be recalled that the American Bankers Association, through its Federal Legislative Committee and its counsel, Thomas B. Paton, opposed certain phases of the interlocking directorate feature of the Clayton bill when it was pending in Congress. In fact, it succeeded in having the Senate eliminate the provision entirely, but in conference the section was reinserted, but not without a concession to the Association, which took the form of an increase of the specified size of banks from $2,500,000 to $5,000,000 and an increase in the limit of population from 100,000 to 200,000.

There was no denial of the fact that the real purpose of the act was beneficial in intent, but it was contended, and the contention has been justified in the application, that a general statute covering the subject was bound to produce instances of injustice and, in this respect, it is still contended that the statute needs amendment.

The full effect of the law will, of course, not be felt until October 15th, when it becomes operative, but bankers who have given the matter consideration deplore the fact that their institutions will be forced to lose the services of some of their very best and most experienced directors. This is true of the small banks as well as of the large.

The injustice of the law is commented upon, especially in cases where a banker serves on the boards of institutions which are not competing. There are many instances where a banker is a director of a trust company and a national bank, their business being essentially different in character. Moreover, there are numerous cases where a director serves on boards of banks or trust companies located in distant cities, each catering to a community of its own, and not competing with the other in any way.

Attention has also been directed to the fact that as the law is worded a national banker in New York, for

instance, may serve on several boards of out-of-town state banks, while he is prohibited from being a director of any other national institution. This, it is contended, is an unjust discrimination in favor of state banks for the reason that they will be in a position to obtain the services of high-grade national bankers, while their competing national banks are denied the opportunity of electing these men to their boards.

Following is the text of Section 8 of the Clayton Act:

That from and after two years from the date of the approval of this Act no person shall at the same time be a director or other officer or employee of more than one bank, banking association, or trust company organized or operating under the laws of the United States, either of, which has deposits, capital, surplus, and undivided profits aggregating more than $5,000,000; and no private banker or person who is a director in any bank or trust company, organized and operating under the laws of a state, having deposits, capital, surplus and undivided profits aggregating more than $5,000,000, shall be eligible to be a director in any bank or banking association organized or operating under the laws of the United States. The eligibility of a director, officer, or employee under the foregoing provisions shall be determined by the average amount of deposits, capital, surplus and undivided profits as shown in the official statements of such bank, banking association, or trust company filed as provided by law during the fiscal year next preceding the date set for the annual election of directors, and when a director, officer or employee has been elected or selected in accordance with the provisions of this Act it shall be lawful for him to continue as such for one year thereafter under said election or employment.

No bank, banking association, or trust company organized or operating under the laws of the United States in any city or incorporated town or village of more than two hundred thousand inhabitants as shown by the last preceding decennial census of the United States, shall have as a director or other officer or employee any private banker or any director or other officer or employee of any other bank, banking association or trust company located in the same place: Provided, that nothing in this section shall apply to mutual savings banks not having a capital stock represented by shares; Provided further, that a director or other officer or employee of such bank, banking association or trust company may be a director or other officer or employee of not more than one other bank or trust company organized under the laws of the United States or any state where the entire capital stock of one is owned by stockholders in the other. And provided further, that nothing contained in this section shall forbid a director of Class A of a Federal reserve bank, as defined in the Federal reserve act from being an officer or director or both an officer and director in one member bank.

That from and after two years from the date of the approval of this Act no person at the same time shall be a director in any two or more corporations, any one of which has capital, surplus and undivided profits aggregating more than $1,000,000 engaged in whole or in part in commerce, other than banks, banking associations, trust companies and common carriers subject to the Act to regulate commerce, approved February 4, 1887, if such corporations are, or shall have been theretofore, by virtue of their business and location of operation, competitors, so that the elimination of competition by agreement between them would constitue a violation of any of the provisions of any of the anti-trust laws. The eligibility of a director under the foregoing provision shall be determined by the aggregate amount of the capital, surplus and undivided profits, exclusive of dividends declared but not paid to stockholders, at the end of the fiscal year of said corporation next preceding the election of directors, and when a director has been elected in accordance with the provisions of this Act it shall be lawful for him to continue as such for one year thereafter.

When any person elected or chosen as a director or officer or selected as an employee of any bank or other corporation subject to the provisions of this Act, is eligible at the time of his election or selection to act for such bank or other corporation in such capacity his eligibility to act in such capacity shall not be affected and he shall not become or be deemed amenable to any of the provisions hereof by reason of any change in the affairs of such bank or other corporation from whatsoever cause, whether specifically excepted by any of the provisions hereof or not, until the expiration of one year from the date of his election or employment.

BANQUET OF GROUP VIII

Over 1,000 bankers from various parts of the country east of the Mississippi attended the nineteenth annual dinner of the Associated Banks of the City of New York, comprising Group VIII of the New York State Bankers Association, held Monday evening, January 17th, at the Waldorf-Astoria. There was an unusual array of speakers, consisting of Hon. Lindley M. Garrison, Secretary of War; Maj.-Gen. Leonard Wood, U. S. A.; Augustus Thomas, the playwright, and Dwight W. Morrow; and as might be surmised, the keynote of the speeches was national preparedness. Col. Charles Elliot Warren, chairman of the Group, presided and made a most pleasing toastmaster. Another feature was the presence of the Mendelssohn Glee Club, whose members celebrated its fiftieth anniversary as guests of the Group and rendered selections during the dinner. It was the largest banquet ever held by Group VIII, which is saying a good deal, when it is recalled that this is the big winter function of the New York banking world. Last year's dinner was omitted owing to the conditions created by the outbreak of the war in Europe.

The guests, in addition to the speakers mentioned, were: James S. Alexander, George F. Baker, Right Reverend Charles Sumner Burch, D. D., Capt. Halsted Dorey, U. S. A., Col. Frederick E. Farnsworth, Alexander Gilbert, William J. Gilpin, Charles A. Hanna, William J. Henry, A. Barton Hepburn, Pierre Jay, Capt. Gordon Johnston, U. S. A., John A. Kloepfer, Mayor John Purroy Mitchel, J. Pierpont Morgan, William A. Nash, Eugene Lamb Richards, William Scherer, Jacob H. Schiff, Rear-Admiral Charles D. Sigsbee, U. S. N., Benjamin Strong, Jr., and Frank A. Vanderlip.

LATIN-AMERICAN MONETARY SYSTEMS

By JOHN CLAUSEN, Manager Foreign Department Crocker National Bank of San Francisco,
Before the National Foreign Trade Convention at New Orleans.

In Central America we find a variety of monetary standards, gold, silver, bimetallic and inconvertible paper circulation, and while this in itself is a study, it would seem a matter of great concern for these republics to arrange a more uniform medium of exchange, recognizing the essential advantages of a metallic system as against fiat and inconvertible paper issues.

In line with the matters under consideration, it may be of interest to present a résumé of conditions and requirements of the six republics comprising Central America:

Panama

The monetary system of Panama is based on a theoretical gold standard with the *Balboa* as the unit and a circulation of silver half-Balboas and fractional coins.

Unlike other Central American republics it has $6,000,000—part of the $10,000,000 paid them by the United States Government for the Panama Canal rights—invested in New York City real estate first mortgages, from which a yearly revenue of some $250,000 is derived. The United States holds the larger part of their foreign trade which could be materially increased by improved shipping facilities.

Costa Rica

The standard monetary unit of Costa Rica is the gold *Colon*, with a circulation of bank-notes based upon gold—40 per cent.—and other assets of the issuing banks. Foreign gold coins circulate freely and, at fixed rates, are accepted as legal tender in the republic. The foreign debt amounts to approximately $17,000,000 as against a yearly public revenue of $4,000,000, of which some 60 per cent. is derived from import duties. The more pressing needs of this republic are adequate commercial credits and facilities to dispose of its coffee crop.

Nicaragua

The present monetary system of Nicaragua is based upon a theoretical gold standard, of which the *Cordoba* forms the unit—with a circulation of silver coins and bank-notes guaranteed to be payable in gold—the old paper peso circulation being retired at a fixed rate of $12.50 pesos for each cordoba. The foreign debt of Nicaragua is comparatively small and consists of $1,500,000 treasury notes—held mostly in the United States—and $6,000,000 of outstanding bonds held in Europe, as against a public revenue of about $2,000,000. The necessity for improved banking and shipping facilities draws attention to the practical assistance which the ratification by the United States of the pending treaty would impart to the commercial life of that republic.

Honduras

The monetary system of this republic is on a silver basis, with the silver *Peso* as the unit—subject, therefore, to fluctuation of that metal in the open markets of the world. The foreign debt of Honduras is estimated—barring the validity of the obligations—at $120,000,000, of which a very large portion covers forty years or more of unpaid interest. The internal debt amounts to $2,500,000 as against government revenues of approximately $2,000,000. Transportation is wholly inadequate and should receive first consideration—if for no other reason than that of improving the postal service—and in this the government seems willing to afford every support in the matter of concessions and subventions.

Salvador

The standard monetary unit of Salvador is the silver *Peso*, likewise subject to rise and fall of the white metal. The circulation consists of silver and bank-notes convertible into silver and secured by metallic reserve and other assets of the issuing banks. The outstanding foreign debt is approximately $4,000,000, with internal obligations of about $6,000,000, as against $7,000,000 of public revenues, of which customs duties represent more than $4,000,000. The Government of Salvador is lending every encouragement for the establishment of banks both commercial and savings, and in this field capital could be most advantageously employed.

Guatemala

Only nominally on a silver basis—Guatemala depends upon an *Inconvertible Paper Currency* for its circulation, without any fixed value with relation to gold or foreign exchanges. The bank-notes are issued without any government guarantee, with the latter indebted to the banks for about the amount of the outstanding circulation—payable in the form of paper currency—which is reported to be approximately 100,000,000 pesos. The foreign debt of Guatemala is about $11,500,000 as against public revenues of $2,500,000.

Preeminently an agricultural country, the development of the soil is of paramount importance—the production of coffee alone making up more than 80 per cent. of the total exports. Improved shipping facilities and the expansion of banking in all its branches are essential to develop and maintain the foreign trading powers of the country.

In treating with our neighbors in Central America, it is felt that they will readily accede to any justifiable demands which may be deemed necessary in amendments to their legislation, appreciating, as do the people of the United States, that the republics of this hemisphere should be knit together by commercial and financial ties more closely than they have ever been before.

RESERVE BOARD APPOINTS CLASS C DIRECTORS

The following Class C directors have been appointed by the Federal Reserve Board to hold office from January 1, 1916:

Federal Reserve Bank of Boston, Allen Hollis.

Federal Reserve Bank of New York, George Foster Peabody.

Federal Reserve Bank of Philadelphia, Vance C. McCormick.

Federal Reserve Bank of Cleveland, H. P. Wolfe.

Federal Reserve Bank of Richmond, M. F. H. Gouverneur.

Federal Reserve Bank of Atlanta, Edward T. Brown.

Federal Reserve Bank of Chicago, E. T. Meredith.

Federal Reserve Bank of St. Louis, William McC. Martin.

Federal Reserve Bank of Minneapolis, William H. Lightner.

Federal Reserve Bank of Kansas City, Charles M. Sawyer.

Federal Reserve Bank of Dallas, William F. Ramsey.

Federal Reserve Bank of San Francisco, Walton Moore.

MORTUARY RECORD OF ASSOCIATION MEMBERS

REPORTED DURING JANUARY, 1916

Adams, Edward R., vice-president Eastern Trust & Banking Company, Bangor, Me.

Adler, Max, director First National Bank; Union & New Haven Trust Company and National Savings Bank, New Haven, Conn.

Ames, Henry Semple, vice-president Mississippi Valley Trust Company, St. Louis, Mo.

Andrews, Joseph, president Old Phoenix National Bank, Medina, Ohio.

Baker, J. Edward, president Alameda National Bank, Alameda, Cal.

Bernstein, Philip, senior member Bernstein, Cohen & Company, Baltimore, Md.

Bidwell, Jasper H., president Canton Trust Company, Collinsville, Conn.

Book, Dr. J. B., director First and Old Detroit National Bank, Detroit, Mich.

Clark, C. Howard, president and director Centennial National Bank, Philadelphia, Pa.

Coddington, Herbert H., cashier First National Bank, Kalamazoo, Mich.

Colwell, H. A., president National Kittanning Bank, Kittanning, Pa.

Cook, Horace A., cashier Producers National Bank, Woonsocket, R. I.

Copeland, Thomas, trustee East Boston Savings Bank, Boston, Mass.

Curtis, Cornelius S., vice-president First National Bank, Wausau, Wis.

Ely, Jesse F., director Commonwealth Bank, Baltimore, Md.

Gebhart, Walton Brown, president City National Bank, Dayton, Ohio.

George, W. P., president First National Bank, Berryville, Ark.

Grell, Frederick W., president College Point Savings Bank, College Point, N. Y.

Harris, William B., cashier Sylvania Savings Bank Company, Sylvania, Ohio.

Hay, James, vice-president Fourth Street National Bank, Philadelphia, Pa.

Herr, George F., assistant cashier London-Paris National Bank, San Francisco, Cal.

Hodges, J. N., president Mulberry State Bank, Mulberry, Kan.

Houghton, Joseph G., president Fidelity Title & Trust Company, Stamford, Conn.

Howard, Theron M., president Passumpsic Savings Bank, St. Johnsbury, Vt.

Hurt, Henry, director Riggs National Bank, Washington, D. C.

Johnson, John D., president Swedish-American National Bank, Jamestown, N. Y.

Keller, Curtis B., president First National Bank, Albert Lea, Minn.

Kelley, Robert, vice-president First National Bank, Superior, Wis.

Kinney, Arthur L., cashier American National Bank, Spearfish, S. D.

Lewis, E. C., director Rutland County National Bank, Rutland, Vt.

McWhorter, C. S., vice-president Citizens National Bank, Redlands, Cal.

Martin, Major John R., director First National Bank, Farmville, Va.

Peckham, Fenner H., director Mechanics National Bank, Providence, R. I.

Remington, J. J., president Salmon River State Bank, White Bird, Idaho.

Sherman, Edward A., treasurer Newport Trust Company, Newport, R. I.

Spencer, Robert R., vice-president National Bank of Commerce, Seattle, Wash.

Steele, William, president Farmers & Commercial Bank, Holden, Mo.

Supplee, W. C., director Corn Exchange National Bank, Philadelphia, Pa.

Weimer, William, president First National Bank, Radcliffe, Iowa.

Winsmore, Thomas, vice-president Peoples Trust Company, Philadelphia, Pa.

Wood, F. E., cashier Farmers and Merchants Bank, Leeds, N. D.

Work, A. Ashton, secretary and treasurer Northern Trust Company, Philadelphia, Pa.

REGISTRATION AT THE ASSOCIATION OFFICES

DURING THE MONTH OF JANUARY, 1916

Andrews, Joseph, cashier Bank of New York, New York City.

Blair, Frank W., president Union Trust Company, Detroit, Mich.

Boyce, A. L., secretary and treasurer Ellis Adding Typewriter Company, Newark, N. J.

Brundage, Frank D., of Knauth, Nachod & Kuhne, New York City.

Burgess, F. E., pres. Howard Nat'l Bank, Burlington, Vt.

Clarke, T. R., Chamber of Commerce, Philadelphia, Pa.

Conant, L., publicity manager Knauth, Nachod & Kuhne, New York City.

Cox, J. Elwood, president Commercial National Bank, High Point, N. C.

Crane, R. B., vice-president National Bank of Commerce, Toledo, Ohio.

Cutler, Ralph W., president Hartford Trust Company, Hartford, Conn.

DeWiart, Chevalier Edmond Carton, director la Societe Generale de Belgique, Brussels; London, England.

Douglas, M. E., sales manager Curtis Publishing Company, Philadelphia, Pa.

Dudley, Guilford, president Fallkill National Bank, Poughkeepsie, N. Y.

Edgerton, Harry L., Rochester, N. Y., president Rochester Chapter, A. I. B.

Edwards, Geo. E., president Dollar Savings Bank, New York City.

Fancher, E. R., governor Federal Reserve Bank, Cleveland, Ohio.

Farrell, J. Fletcher, vice-president Fort Dearborn National Bank, Chicago, Ill.

Feathers, W. C., cashier Manufacturers National Bank, Troy, N. Y.

Fenton, F. R., Devitt, Tremble & Company, Chicago, Ill.; secretary Investment Bankers Association.

Getz, C. Leland, Baltimore, Md., president Baltimore Chapter, A. I. B.

Goodwin, Wm. G., treasurer Peoples Savings Bank, Providence, R. I.

Harley, C. S., vice-president German American Mercantile Bank, Seattle, Wash.

Heynen, Julius, secretary and treasurer Maiden Lane Savings Bank, New York City.

Hyde, Fred. W., cashier National Chautauqua County Bank, Jamestown, N. Y.

Kiesewetter, L. F., vice-president Ohio National Bank, Columbus, Ohio.

Kniffin, W. H., Jr., vice-president First National Bank, Jamaica, N. Y.

Knox, Wm. E., comptroller Bowery Savings Bank, New York City.

Law, Wm. A., president First National Bank, Philadelphia, Pa.

Lersner, V. A., comptroller Williamsburgh Savings Bank, Brooklyn, N. Y.

Livingstone, William, president Dime Savings Bank, Detroit, Mich.

Locke, Robert B., Boston, Mass., president Boston Chapter, A. I. B.

McHugh, John, vice-president Mechanics and Metals National Bank, New York City.

Mead, Charles M., Bowery Savings Bank, New York.

Neilson, J. A., of Brown Brothers, New York City.

Newcomer, Waldo, pres. Nat'l Exch. Bank, Baltimore, Md.

Northrup, Jay D., of J. P. Morgan & Company, New York City.

Parker, Henry G., president National Bank of New Jersey, New Brunswick, N. J.

Rankin, S. B., president Bank of South Charleston, South Charleston, Ohio; secretary Ohio Bankers Association.

Robinson, Edward L., vice-president Eutaw Savings Bank, Baltimore, Md.

Rowe, E. C., *Christian Herald*, New York City.

Ruff, Wm. J., cashier Luzerne County National Bank, Wilkes-Barre, Pa.

Ruffin, B. A., Richmond, Va., secretary Insurance Committee, American Bankers Association.

Rulmonde, Henry, secretary Societe Generale de Belgique, Brussels; London, England.

Sands, Oliver J., president American National Bank, Richmond, Va.

Saul, B. F., president Home Savings Bank, Washington, D. C.

Sinclair, E. W., president Exchange National Bank, Tulsa, Okla.

Swan, James, Detroit, Mich.

Teter, Lucius, president Chicago Savings Bank & Trust Company, Chicago, Ill.

Thralls, Jerome, cashier Federal Reserve Bank, Kansas City, Mo.

Tickner, George, secretary National Bank of Syracuse, Syracuse, N. Y.

Van Deusen, W. M., cashier National Newark Banking Company, Newark, N. J.

Van Vechten, Ralph, vice-president Continental and Commercial National Bank, Chicago, Ill.

Washburn, Fred B., treasurer Worcester Five Cent Savings Bank, Worcester, Mass.

Young, Charles W., of Emerson McMillin Company, N. Y.

TITLE CHANGES AMONG BANK OFFICERS

Following is a list of officers' title changes in institutions which are members of the American Bankers Association, reported to the JOURNAL-BULLETIN during January. Members will confer a favor by notifying this department immediately of any such changes. Publication will not be made except on receipt of direct information:

ALABAMA

Montgomery—Lewis B. Farley, formerly president New Farley National Bank, now out of the banking business. B. C. Crum succeeds Mr. Farley as president. M. A. Vincentelli, formerly cashier, now vice-president, J. M. Baldwin succeeding Mr. Vincentelli as cashier.

CALIFORNIA

Los Angeles—Stoddard Jess, formerly vice-president First National Bank, now president.

ILLINOIS

Chicago—R. L. Redheffer, formerly cashier Security Bank, now vice-president Security Bank and Second Security Bank. A. E. Suter succeeds Mr. Redheffer as cashier Security Bank. J. C. Hansen, president Security Bank, succeeds J. B. Forgan, Jr., as president Second Security Bank.

Chicago—William A. Heath, formerly president Live Stock Exchange National Bank, now chairman of board. Melvin A. Traylor succeeds Mr. Heath as president.

IOWA

Cedar Rapids—J. M. Dinwiddie, formerly cashier Cedar Rapids Savings Bank, now president succeeding John T. Hamilton, who becomes chairman of the board. W. J. Elliott, formerly assistant cashier, succeeds Mr. Dinwiddie as cashier.

Sioux City—John J. Large, formerly vice-president First National Bank, now president. Mr. Large succeeds John McHugh, who is now vice-president Mechanics and Metals National Bank, New York City.

KENTUCKY

Frankfort—Eugene E. Hoge, formerly cashier The State National Bank, now vice-president and cashier. Richard K. McClure, Jr., is now assistant cashier.

Georgetown—J. R. Downing, formerly vice-president and cashier Georgetown National Bank, now president. James W. Thacker succeeds Mr. Downing as vice-president and George T. Hambrick succeeds him as cashier.

LOUISIANA

New Orleans—Sol. Wexler, formerly president Whitney-Central National Bank, now member of banking firm of J. S. Bache & Company, New York City.

New Orleans—Rudolph S. Hecht, formerly trust officer Hibernia Bank & Trust Company, now vice-president.

New Orleans—Albert Breton, formerly vice-president Canal Bank & Trust Company, now special representative Guaranty Trust Company, New York City.

MISSOURI

Chillicothe—Raymond F. McNally, formerly cashier Citizens National Bank, now manager country bank department Mississippi Valley Bank & Trust Company, St. Louis. Edgar O. Welch succeeds Mr. McNally as cashier of the Citizens National Bank.

NEW YORK

New York City—Phineas C. Lounsbury, formerly president Atlantic National Bank, now chairman of the board. Herman D. Kountze succeeds Mr. Lounsbury as president.

New York City—A. S. Frissel, formerly president Fifth Avenue Bank, now chairman of the board. Theodore Hetzler, formerly vice-president, succeeds Mr. Frissel as president.

New York City—Joseph Fox, formerly president Columbia Bank, now chairman of the board. E. H. Bernheim, formerly vice-president, succeeds Mr. Fox as president.

PENNSYLVANIA

Canton—L. T. McFadden, formerly cashier First National Bank, now president. Charles A. Innes, formerly assistant cashier, succeeds Mr. McFadden as cashier.

Philadelphia—R. J. Clark, formerly cashier Fourth Street National Bank, now vice-president and cashier. Walter K. Hardt, formerly assistant cashier, now vice-president. W. R. Humphreys, formerly of the Philadelphia National Bank, succeeds Mr. Hardt as assistant cashier.

Philadelphia—J. S. McCulloch, formerly vice-president Union National Bank, now president. Louis N. Spieberger succeeds Mr. McCulloch as vice-president and also retains the cashiership.

RHODE ISLAND

Providence—Henry L. Wilcox, formerly cashier National Bank of Commerce, now vice-president and cashier.

TEXAS

Waco—W. W. Woodson, formerly cashier Central Texas Exchange National Bank, now vice-president and cashier First National Bank.

VIRGINIA

Norfolk—Tench F. Tilghman, formerly vice-president and cashier The Citizens Bank, now president.

WISCONSIN

Milwaukee—Harold J. Dreher, formerly assistant cashier Marshall & Ilsley Bank, now assistant cashier National City Bank, New York City.

LEGAL DEPARTMENT

THOMAS B. PATON, GENERAL COUNSEL

INCOME TAX ACT HELD CONSTITUTIONAL

The Supreme Court of the United States has handed down (January 24, 1916) a decision upholding the constitutionality in all respects of the income tax provisions of the Tariff Act of October 23, 1913. The opinion of the court was delivered through Mr. Chief Justice White and all the members concurred, excepting Mr. Justice McReynolds, who took no part in the consideration or decision of the case.

There was strong hope that so far as the provisions requiring collection at source were concerned, under which one person or corporation is obliged to act, without compensation, as collecting agent of the Government in deducting, withholding and paying the tax on behalf of another person or corporation, the taxpayer, such provisions would be held unconstitutional. Our Association is on record as opposing these provisions and any relief therefrom by way of elimination or modification so as to restrict such provisions to a requirement of giving information at source without deduction and withholding must now come, if at all, through amendment of the act. The discriminations in the act as between different classes of citizens whereby certain persons and corporations are entirely exempted and other persons subjected to a progressive or supertax; the discriminations between corporations indebted upon coupon and registered bonds and corporations not so indebted, against owners of corporate bonds in favor of individuals none of whose income is derived from such property, against corporate bond-holders who are not released from payment of the tax thereon even after the tax has been deducted by the corporation and the various other discriminations which the act imposes, are all held lawful and within the power of Congress under the Constitution.

The decision is rendered in the case of Frank R. Brushaber *v.* Union Pacific Railroad Company, and the full opinion of the court is given below as matter of interest to our members generally:

SUPREME COURT OF THE UNITED STATES

No. 140—OCTOBER TERM, 1915

Frank R. Brushaber, Appellant, *vs.* Union Pacific Railroad Company.	Appeal from the District Court of the United States for the Southern District of New York.

[January 24, 1916]

Mr. Chief Justice White delivered the opinion of the Court.

As a stockholder of the Union Pacific Railroad Company the appellant filed his bill to enjoin the corporation from complying with the income tax provisions of the Tariff Act of October 3, 1913 (Section II, ch. 16, 38 Statutes 166). Because of constitutional questions duly arising the case is here on direct appeal from a decree sustaining a motion to dismiss because no ground for relief was stated.

The right to prevent the corporation from returning and paying the tax was based upon many averments as to the repugnancy of the statute to the Constitution of the United States, of the peculiar relation of the corporation to the stockholders and their particular interests resulting from many of the administrative provisions of the assailed act, of the confusion, wrong and multiplicity of suits and the absence of all means of redress which would result if the corporation paid the tax and complied with the act in other respects without protest, as it was alleged it was its intention to do. To put out of the way a question of jurisdiction we at once say that in view of these averments and the ruling in Pollock *v.* Farmers' Loan & Trust Co., 157 U. S. 429, sustaining the right of a stockholder to sue to restrain a corporation under proper averments from voluntarily paying a tax charged to be unconstitutional on the ground that to permit such a suit did not violate the prohibitions of Section 3224, Revised Statutes, against enjoining the enforcement of taxes, we are of opinion that the contention here made that there was no jurisdiction of the cause since to entertain it would violate the provisions of the Revised Statutes referred to is without merit. Before coming to dispose of the case on the merits, however, we observe that the defendant corporation having called the attention of the Government to the pendency of the cause and the nature of the controversy and its unwillingness to voluntarily refuse to comply with the act assailed, the United States as *amicus curiae* has at bar been heard both orally and by brief for the purpose of sustaining the decree.

Aside from averments as to citizenship and residence, recitals as to the provisions of the statute and statements as to the business of the corporation contained in the first ten paragraphs of the bill advanced to sustain jurisdiction, the bill alleged twenty-one constitutional objections specified in that number of paragraphs or subdivisions. As all the grounds assert a violation of the Constitution, it follows that in a wide sense they all charge a repugnancy of the statute to the Sixteenth Amendment under the more immediate sanction of which the statute was adopted.

The various propositions are so intermingled as to cause it to be difficult to classify them. We are of

opinion, however, that the confusion is not inherent, but rather arises from the conclusion that the Sixteenth Amendment provides for a hitherto unknown power of taxation, that is, a power to levy an income tax which, although direct, should not be subject to the regulation of apportionment applicable to all other direct taxes. And the far-reaching effect of this erroneous assumption will be made clear by generalizing the many contentions advanced in argument to support it, as follows: (a) The Amendment authorizes only a particular character of direct tax without apportionment, and therefore if a tax is levied under its assumed authority which does not partake of the characteristics exacted by the Amendment, it is outside of the Amendment and is void as a direct tax in the general constitutional sense because not apportioned. (b) As the Amendment authorizes a tax only upon incomes "from whatever source derived," the exclusion from taxation of some income of designated persons and classes is not authorized and hence the constitutionality of the law must be tested by the general provisions of the Constitution as to taxation, and thus again the tax is void for want of apportionment. (c) As the right to tax "incomes from whatever source derived" for which the Amendment provides must be considered as exacting intrinsic uniformity, therefore no tax comes under the authority of the Amendment not conforming to such standard, and hence all the provisions of the assailed statute must once more be tested solely under the general and pre-existing provisions of the Constitution, causing the statute again to be void in the absence of apportionment. (d) As the power conferred by the Amendment is new and prospective, the attempt in the statute to make its provisions retroactively apply is void because so far as the retroactive period is concerned, it is governed by the pre-existing constitutional requirement as to apportionment.

But it clearly results that the proposition and the contentions under it, if acceded to, would cause one provision of the Constitution to destroy another; that is, they would result in bringing the provisions of the Amendment exempting a direct tax from apportionment into irreconcilable conflict with the general requirement that all direct taxes be apportioned. Moreover, the tax authorized by the amendment, being direct, would not come under the rule of uniformity applicable under the Constitution to other than direct taxes, and thus it would come to pass that the result of the Amendment would be to authorize a particular direct tax not subject either to apportionment or to the rule of geographical uniformity, thus giving power to impose a different tax in one state or states than was levied in another state or states. This result instead of simplifying the situation and making clear the limitations on the taxing power, which obviously the Amendment must have been intended to accomplish, would create radical and destructive changes in our constitutional system and multiply confusion.

But let us by a demonstration of the error of the fundamental proposition as to the significance of the Amendment dispel the confusion necessarily arising from the arguments deduced from it. Before coming, however, to the text of the Amendment, to the end that its significance may be determined in the light of the previous legislative and judicial history of the subject with which the Amendment is concerned and with a knowledge of the conditions which presumptively led up to its adoption and hence of the purpose it was intended to accomplish, we make a brief statement on those subjects.

That the authority conferred upon Congress by section 8 of Article I "to lay and collect taxes, duties, imposts and excises" is exhaustive and embraces every conceivable power of taxation has never been questioned, or, if it has, has been so often authoritatively declared as to render it necessary only to state the doctrine. And it has also never been questioned from the foundation, without stopping presently to determine under which of the separate headings the power was properly to be classed, that there was authority given, as the part was included in the whole, to lay and collect income taxes. Again it has never moreover been questioned that the conceded complete and all-embracing taxing power was subject, so far as they were respectively applicable, to limitations resulting from the requirements of Art. I, sec. 8, cl. 1, that "all duties, imposts and excises shall be uniform throughout the United States," and to the limitations of Art. I, sec. 2, cl. 3, that "direct taxes shall be apportioned among the several states" and of Art. I, sec. 9, cl. 4, that "no capitation, or other direct, tax shall be laid, unless in proportion to the census or enumeration hereinbefore directed to be taken." In fact the two great subdivisions embracing the complete and perfect delegation of the power to tax and the two correlated limitations as to such power were thus aptly stated by Mr. Chief Justice Fuller in Pollock *v.* Farmers' Loan & Trust Company, *supra*, at page 557: "In the matter of taxation, the Constitution recognizes the two great classes of direct and indirect taxes, and lays down two rules by which their imposition must be governed, namely: The rule of apportionment as to direct taxes, and the rule of uniformity as to duties, imposts and excises." It is to be observed, however, as long ago pointed out in Veazie Bank *v.* Fenno, 8 Wall. 533, 541, that the requirement of apportionment as to one of the great classes and of uniformity as to the other class were not so much a limitation upon the complete and all embracing authority to tax, but in their essence were simply regulations concerning the mode in which the plenary power was to be exerted. In the whole history of the government down to the time of the adoption of the Sixteenth Amendment, leaving aside some conjectures expressed of the possibility of a tax lying intermediate between the two great classes and embraced by neither, no question has been anywhere made as to the correctness of these propositions. At the very beginning, however, there arose differences of opinion concerning the criteria to be applied in determining in which of the two great subdivisions a tax would fall. Without pausing to state at length the basis of these differences

and the consequences which arose from them, as the whole subject was elaborately reviewed in Pollock *v.* Farmers' Loan & Trust Company, 157 U. S. 429; 158 U. S. 601, we make a condensed statement which is in substance taken from what was said in that case. Early the differences were manifested in pressing on the one hand and opposing on the other, the passage of an act levying a tax without apportionment on carriages "for the conveyance of persons," and when such a tax was enacted the question of its repugnancy to the Constitution soon came to this court for determination. (Hylton *v.* United States, 3 Dall. 171.) It was held that the tax came within the class of excises, duties and imposts and therefore did not require apportionment, and while this conclusion was agreed to by all the members of the court who took part in the decision of the case, there was not an exact coincidence in the reasoning by which the conclusion was sustained. Without stating the minor differences, it may be said with substantial accuracy that the divergent reasoning was this: On the one hand, that the tax was not in the class of direct taxes requiring apportionment because it was not levied directly on property because of its ownership but rather on its use and was therefore an excise, duty or impost; and on the other, that in any event the class of direct taxes included only taxes directly levied on real estate because of its ownership. Putting out of view the difference of reasoning which led to the concurrent conclusion in the Hylton case, it is undoubted that it came to pass in legislative practice that the line of demarcation between the two great classes of direct taxes on the one hand and excises, duties and imposts on the other which was exemplified by the ruling in that case, was accepted and acted upon. In the first place this is shown by the fact that wherever (and there were a number of cases of that kind) a tax was levied directly on real estate or slaves because of ownership, it was treated as coming within the direct class and apportionment was provided for, while no instance of apportionment as to any other kind of tax is afforded. Again the situation is aptly illustrated by the various acts taxing incomes derived from property of every kind and nature which were enacted beginning in 1861 and lasting during what may be termed the Civil War period. It is not disputable that these latter taxing laws were classed under the head of excises, duties and imposts because it was assumed that they were of that character in as much as although putting a tax burden on income of every kind, including that derived from property, real or personal, they were not taxes directly on property because of its ownership. And this practical construction came in theory to be the accepted one since it was adopted without dissent by the most eminent of the textwriters. 1 Kent. Com. 254, 256; 1 Story Const. § 955; Cooley Const. Lim. (5th ed.) 480; Miller on the Constitution, 237; Pomeroy's Constitutional Law, § 281; Hare Const. Law, Vol. 1, 249, 250; Burroughs on Taxation, 502; Ordronaux, Constitutional Legislation, 225.

Upon the lapsing of a considerable period after the repeal of the income tax laws referred to, in 1894 an act was passed laying a tax on incomes from all classes of property and other sources of revenue which was not apportioned, and which therefore was of course assumed to come within the classification of excises, duties and imposts which were subject to the rule of uniformity but not to the rule of apportionment. The constitutional validity of this law was challenged on the ground that it did not fall within the class of excises, duties and imposts, but was direct in the constitutional sense and was therefore void for want of apportionment, and that question came to this court and was passed upon in Pollock *v.* Farmers' Loan & Trust Co., 157 U. S. 429; 158 U. S. 601. The court, fully recognizing in the passage which we have previously quoted the all-embracing character of the two great classifications including, on the one hand, direct taxes subject to apportionment, and on the other, excises, duties and imposts subject to uniformity, held the law to be unconstitutional in substance for these reasons: Concluding that the classification of direct was adopted for the purpose of rendering it impossible to burden by taxation accumulations of property, real or personal, except subject to the regulation of apportionment, it was held that the duty existed to fix what was a direct tax in the constitutional sense so as to accomplish this purpose contemplated by the Constitution. (157 U. S. 581.) Coming to consider the validity of the tax from this point of view, while not questioning at all that in common understanding it was direct merely on income and only indirect on property, it was held that considering the substance of things it was direct on property in a constitutional sense since to burden an income by a tax was from the point of substance to burden the property from which the income was derived and thus accomplish the very thing which the provision as to apportionment of direct taxes was adopted to prevent. As this conclusion but enforced a regulation as to the mode of exercising power under particular circumstances, it did not in any way dispute the all-embracing taxing authority possessed by Congress, including necessarily therein the power to impose income taxes if only they conform to the constitutional regulations which were applicable to them. Moreover in addition the conclusion reached in the Pollock case did not in any degree involve holding that income taxes generically and necessarily came within the class of direct taxes on property, but on the contrary recognized the fact that taxation on income was in its nature an excise entitled to be enforced as such unless and until it was concluded that to enforce it would amount to accomplishing the result which the requirement as to apportionment of direct taxation was adopted to prevent, in which case the duty would arise to disregard form and consider substance alone and hence subject the tax to the regulation as to apportionment which otherwise as an excise would not apply to it. Nothing could serve to make this clearer than to recall that in the Pollock case in so far as the law taxed incomes from other classes of property than real estate and invested personal property, that is, income from "professions, trades, employments, or vocations" (158 U. S. 637), its validity was recognized; in-

deed it was expressly declared that no dispute was made upon that subject and attention was called to the fact that taxes on such income had been sustained as excise taxes in the past. *Ib.* p. 635. The whole law was however declared unconstitutional on the ground that to permit it to thus operate would relieve real estate and invested personal property from taxation and "would leave the burden of the tax to be borne by professions, trades, employments, or vocations; and in that way what was intended as a tax on capital would remain, in substance, a tax on occupations and labor" (*Ib.* p. 637), a result which it was held could not have been contemplated by Congress.

This is the text of the Amendment:

"The Congress shall have power to lay and collect taxes on incomes, from whatever source derived, without apportionment among the several states, and without regard to any census or enumeration."

It is clear on the face of this text that it does not purport to confer power to levy income taxes in a generic sense—an authority already possessed and never questioned—or to limit and distinguish between one kind of income taxes and another, but that the whole purpose of the Amendment was to relieve all income taxes when imposed from apportionment from a consideration of the source whence the income was derived. Indeed in the light of the history which we have given and of the decision in the Pollock case and the ground upon which the ruling in that case was based, there is no escape from the conclusion that the Amendment was drawn for the purpose of doing away for the future with the principle upon which the Pollock case was decided, that is, of determining whether a tax on income was direct not by a consideration of the burden placed on the taxed income upon which it directly operated, but by taking into view the burden which resulted on the property from which the income was derived, since in express terms the Amendment provides that income taxes, from whatever source the income may be derived, shall not be subject to the regulation of apportionment. From this in substance it indisputably arises, first, that all the contentions which we have previously noticed concerning the assumed limitations to be implied from the language of the Amendment as to the nature and character of the income taxes which it authorizes find no support in the text and are in irreconcilable conflict with the very purpose which the Amendment was adopted to accomplish. Second, that the contention that the Amendment treats a tax on income as a direct tax although it is relieved from apportionment and is necessarily therefore not subject to the rule of uniformity as such rule only applies to taxes which are not direct, thus destroying the two great classifications which have been recognized and enforced from the beginning, is also wholly without foundation since the command of the Amendment that all income taxes shall not be subject to apportionment by a consideration of the sources from which the taxed income may be derived, forbids the application of such taxes of the rule applied in the Pollock case by which alone such taxes were removed from the great class of excises, duties and imposts subject to the rule of uniformity and were placed under the other or direct class. This must be unless it can be said that although the Constitution as a result of the Amendment in express terms excludes the criterion of source of income, that criterion yet remains for the purpose of destroying the classifications of the Constitution by taking an excise out of the class to which it belongs and transferring it to a class in which it cannot be placed consistently with the requirements of the Constitution. Indeed, from another point of view, the Amendment demonstrates that no such purpose was intended and on the contrary shows that it was drawn with the object of maintaining the limitations of the Constitution and harmonizing their operation. We say this because it is to be observed that although from the date of the Hylton case because of statements made in the opinions in that case it had come to be accepted that direct taxes in the constitutional sense were confined to taxes levied directly on real estate because of its ownership, the Amendment contains nothing repudiating or challenging the ruling in the Pollock case that the word direct had a broader significance since it embraced also taxes levied directly on personal property because of its ownership, and therefore the Amendment at least impliedly makes such wider significance a part of the Constitution—a condition which clearly demonstrates that the purpose was not to change the existing interpretation except to the extent necessary to accomplish the result intended, that is, the prevention of the resort to the sources from which a taxed income was derived in order to cause a direct tax on the income to be a direct tax on the source itself and thereby to take an income tax out of the class of excises, duties and imposts and place it in the class of direct taxes.

We come then to ascertain the merits of the many contentions made in the light of the Constitution as it now stands, that is to say, including within its terms the provisions of the Sixteenth Amendment as correctly interpreted. We first dispose of two propositions assailing the validity of the statute on the one hand because of its repugnancy to the Constitution in other respects, and especially because its enactment was not authorized by the Sixteenth Amendment.

The statute was enacted October 3, 1913, and provided for a general yearly income tax from December to December of each year. Exceptionally, however, it fixed a first period embracing only the time from March 1 to December 31, 1913, and this limited retroactivity is assailed as repugnant to the due process clause of the Fifth Amendment and as inconsistent with the Sixteenth Amendment itself. But the date of the retroactivity did not extend beyond the time when the Amendment was operative, and there can be no dispute that there was power by virtue of the Amendment during that period to levy the tax, without apportionment, and so far as the limitations of the Constitution in other respects are concerned, the contention is not open, since in Stockdale *v.* Insurance Companies, 20 Wall. 323, 331, in sustaining

a provision in a prior income tax law which was assailed because of its retroactive character, it was said:

"The right of Congress to have imposed this tax by a new statute, although the measure of it was governed by the income of the past year, cannot be doubted; much less can it be doubted that it could impose such a tax on the income of the current year, though part of that year had elapsed when the statute was passed. The joint resolution of July 4, 1864, imposed a tax of 5 per cent. upon all income of the previous year, although one tax on it had already been paid, and no one doubted the validity of the tax or attempted to resist it."

The statute provides that the tax should not apply to enumerated organizations or corporations, such as labor, agricultural or horticultural organizations, mutual savings banks, etc., and the argument is that as the Amendment authorized a tax on incomes "from whatever source derived," by implication it excluded the power to make these exemptions. But this is only a form of expressing the erroneous contention as to the meaning of the Amendment, which we have already disposed of. And so far as this alleged illegality is based on other provisions of the Constitution, the contention is also not open, since it was expressly considered and disposed of in Flint *v.* Stone Tracy Co., 220 U. S. 108, 173.

Without expressly stating all the other contentions, we summarize them to a degree adequate to enable us to typify and dispose of all of them.

1. The statute levies one tax called a normal tax on all incomes of individuals up to $20,000 and from that amount up by gradations, a progressively increasing tax called an additional tax, is imposed. No tax, however, is levied upon incomes of unmarried individuals amounting to $3,000 or less, nor upon incomes of married persons amounting to $4,000 or less. The progressive tax and the exempted amounts, it is said, are based on wealth alone and the tax is therefore repugnant to the due process clause of the Fifth Amendment.

2. The act provides for collecting the tax at the source, that is, makes it the duty of corporations, etc., to retain and pay the sum of the tax on interest due on bonds and mortgages, unless the owner to whom the interest is payable gives a notice that he claims an exemption. This duty cast upon corporations, because of the cost to which they are subjected, is asserted to be repugnant to due process of law as a taking of their property without compensation, and we recapitulate various contentions as to discrimination against corporations and against individuals predicated on provisions of the act dealing with the subject:

(a) Corporations indebted upon coupon and registered bonds are discriminated against, since corporations not so indebted are relieved of any labor or expense involved in deducting and paying the taxes of individuals on the income derived from bonds.

(b) Of the class of corporations indebted as above stated, the law further discriminates against those which have assumed the payment of taxes on their bonds, since although some or all of their bondholders may be exempt from taxation, the corporations have no means of ascertaining such fact, and it would therefore result that taxes would often be paid by such corporations when no taxes were owing by the individuals to the Government.

(c) The law discriminates against owners of corporate bonds in favor of individuals none of whose income is derived from such property, since bondholders are, during the interval between the deducting and the paying of the tax on their bonds, deprived of the use of the money so withheld.

(d) Again corporate bondholders are discriminated against because the law does not release them from payment of taxes on their bonds even after the taxes have been deducted by the corporation, and therefore if after deduction the corporation should fail, the bondholders would be compelled to pay the tax a second time.

(e) Owners of bonds the taxes on which have been assumed by the corporation are discriminated against because the payment of the taxes by the corporation does not relieve the bondholders of their duty to include the income from such bonds in making a return of all income, the result being a double payment of the taxes, labor and expense in applying for a refund, and a deprivation of the use of the sum of the taxes during the interval which elapses before they are refunded.

3. The provision limiting the amount of interest paid which may be deducted from gross income of corporations for the purpose of fixing the taxable income to interest on indebtedness not exceeding one-half the sum of bonded indebtedness and paid-up capital stock, is also charged to be wanting in due process because discriminating between different classes of corporations and individuals.

4. It is urged that want of due process results from the provision allowing individuals to deduct from their gross income dividends paid them by corporations whose incomes are taxed and not giving such rights of deduction to corporations.

5. Want of due process is also asserted to result from the fact that the act allows a deduction of $3,000 or $4,000 to those who pay the normal tax. that is. whose incomes are $20,000 or less, and does not allow the deduction to those whose incomes are greater than $20,000; that is, such persons are not allowed for the purpose of the additional or progressive tax a second right to deduct the $3,000 or $4,000 which they have already enjoyed. And a further violation of due process is based on the fact that for the purpose of the additional tax no second right to deduct dividends received from corporations is permitted.

6. In various forms of statement, want of due process, it is moreover insisted, arises from the provisions of the act allowing a deduction for the purpose of ascertaining the taxable income of stated amounts on the ground that the provisions discriminate between married and single people and discriminate between husbands and wives who are living together and those who are not.

7. Discrimination and want of due process results, it is said, from the fact that the owners of houses in which they live are not compelled to estimate the rental value in making up their incomes, while those who are

living in rented houses and pay rent are not allowed, in making up their taxable income, to deduct rent which they have paid, and that want of due process also results from the fact that although family expenses are not as a rule permitted to be deducted from gross, to arrive at taxable, income, farmers are permitted to omit from their income return certain products of the farm which are susceptible of use by them for sustaining their families during the year.

So far as these numerous and minute, not to say in many respects hypercritical, contentions are based upon an assumed violation of the uniformity clause, their want of legal merit is at once apparent, since it is settled that that clause exacts only a geographical uniformity and there is not a semblance of ground in any of the propositions for assuming that a violation of such uniformity is complained of. Knowlton *v.* Moore, 178 U. S. 41; Patton *v.* Brady, 184 U. S. 608, 622; Flint *v.* Stone Tracy Co., 220 U. S. 107, 158; Billings *v.* United States, 232 U. S. 608, 622.

So far as the due process clause of the Fifth Amendment is relied upon, it suffices to say that there is no basis for such reliance since it is equally well settled that such clause is not a limitation upon the taxing power conferred upon Congress by the Constitution; in other words, that the Constitution does not conflict with itself by conferring upon the one hand a taxing power and taking the same power away on the other by the limitations of the due process clause. Treat *v.* White, 181 U. S. 264; Patton *v.* Brady, 184 U. S. 608; McCray *v.* United States, 195 U. S. 27, 61; Flint *v.* Stone Tracy Co., supra; Billings *v.* United States, 232 U. S. 261, 282. And no change in the situation here would arise even if it be conceded, as we think it must be, that this doctrine would have no application in a case where although there was a seeming exercise of the taxing power, the act complained of was so arbitrary as to constrain to the conclusion that it was not the exertion of taxation but a confiscation of property, that is, a taking of the same in violation of the Fifth Amendment, or, what is equivalent thereto, was so wanting in basis for classification as to produce such a gross and patent inequality as to inevitably lead to the same conclusion. We say this because none of the propositions relied upon in the remotest degree present such questions. It is true that it is elaborately insisted that although there be no express constitutional provision prohibiting it, the progressive features of the tax causes it to transcend the conception of all taxation and to be a mere arbitrary abuse of power which must be treated as wanting in due process. But the proposition disregards the fact that in the very early history of the Government a progressive tax was imposed by Congress and that such authority was exerted in some if not all of the various income taxes enacted prior to 1894 to which we have previously adverted. And over and above all this the contention but disregards the further fact that its absolute want of foundation in reason was plainly pointed out in Knowlton *v.* Moore, supra, and the right to urge it was necessarily foreclosed by the ruling in that case made. In this situation it is of course superfluous to say that arguments as to the expediency of levying such taxes or of the economic mistake or wrong involved in their imposition are beyond judicial cognizance. Besides this demonstration of the want of merit in the contention based upon the progressive feature of the tax, the error in the others is equally well established either by prior decisions or by the adequate bases for classification which are apparent on the face of the assailed provisions, that is, the distinction between individuals and corporations, the difference between various kinds of corporations, etc., etc. Knowlton *v.* Moore, supra; Flint *v.* Stone Tracy Co., supra; Billings *v.* United States, supra; National Bank *v.* Commonwealth, 9 Wall. 353; National Safe Deposit Co. *v.* Illinois, 232 U. S. 58, 70. In fact, comprehensively surveying all the contentions relied upon, aside from the erroneous construction of the Amendment which we have previously disposed of, we cannot escape the conclusion that they all rest upon the mistaken theory that although there be differences between the subjects taxed, to differently tax them transcends the limit of taxation and amounts to a want of due process, and that where a tax levied is believed by one who resists its enforcement to be wanting in wisdom and to operate injustice, from that fact in the nature of things there arises a want of due process of law and a resulting authority in the judiciary to exceed its powers and correct what is assumed to be mistaken or unwise exertions by the legislative authority of its lawful powers, even although there be no semblance of warrant in the Constitution for so doing.

We have not referred to a contention that because certain administrative powers to enforce the act were conferred by the statute upon the Secretary of the Treasury, therefore it was void as unwarrantedly delegating legislative authority, because we think to state the proposition is to answer it. Field *v.* Clark, 143 U. S. 649; Buttfield *v.* Stranahan, 192 U. S. 470, 496; Oceanic Steam Navigation Co. *v.* Stranahan, 214 U. S. 320.

Affirmed.

Mr. Justice McReynolds took no part in the consideration and decision of this case.

True copy.

Test:

Clerk Supreme Court, U. S.

OPINIONS OF THE GENERAL COUNSEL

CHECK "IN FULL OF ACCOUNT"

Where payee accepts and collects check stated to be "in full of account," for less than amount of his claim, he is not debarred from recovering balance if amount of claim is liquidated or undisputed, but if amount is subject of honest dispute, his acceptance and collection of check operates as a bar to further recovery, even though payee negatives condition and asserts check is received as part payment only.

From Idaho—One of our customers, a building contractor, recently wrote a check payable to an Electric Supply Co. and on the face he made a notation to the effect that the check was in full payment of account on a certain contract. The Electric Supply Co. indorsed the check with their regular stamp and wrote as follows: "This is to apply on account amounting to $.... and is not payment in full." We have been unable to find any ruling which exactly fits the case and for our own information would like to know whether such an indorsement would have any effect on the status of the case.

The rule is that where the amount due is a settled and fixed amount, as upon a note, judgment or settled account, the acceptance by the creditor of a check for a less amount stated to be "in full" does not prevent the creditor from recovering the balance. But where the amount due is unliquidated and there is an honest dispute as to the correctness of the amount, the acceptance by the creditor of a check "in full" operates to bar further recovery. You will see decisions cited to this effect in an opinion published in the JOURNAL for May, 1915.

In the case you submit, whether or not the amount of the account was liquidated or the subject of an honest dispute, the creditor did not accept and collect the check stated to be in full unconditionally, but indorsed thereon that it was received to apply on account and not payment in full. If the amount of the account was settled or liquidated, the creditor could recover the balance irrespective of the indorsed condition, but assuming the amount of this account was the subject of an honest dispute, the question would be whether the creditor by accepting and collecting the check stated to be "in full," barred himself from recovering anything further, notwithstanding he indorsed thereon that it was received on account and not as payment in full. Upon this question the courts hold that the creditor must either accept the check unconditionally or return it; that the creditor cannot accept the check and divest it of the condition and if the creditor accepts and collects the check but strikes out the condition that it is payment in full, or couples his acceptance with the negative statement that it is not received as payment in full, the acceptance and collection of the check will nevertheless operate as an accord and satisfaction and bar him from recovering anything more.

There are a number of authorities which support the above proposition. In Barham *v.* Bank of Delight, 126 S. W. (Ark.) 394, it was held that where a debtor sends a check to his creditor by mail to apply on a disputed claim, bearing on its face a statement that it is a payment in full, the indorsement and collection of the check by the creditor renders it an accord and satisfaction, though the creditor immediately writes to the debtor, stating that the check is accepted only in part payment and demanding the balance. The opinion in this case contains a full discussion of the subject with reference to other authorities and I, therefore, quote from it at length. The court says:

"It is true that, in order to constitute an accord and satisfaction, it is necessary that the offer of the payment should be made by one party in full satisfaction of the demand and should be accepted as such by the other. But when the claim is disputed and unliquidated, and a less amount than is demanded is offered in full payment, the question as to whether the creditor in such case does so agree to accept the amount offered in full satisfaction of his demand is a mixed question of law and fact. If the offer or tender is accompanied by declarations and acts so as to amount to a condition that, if the creditor accepts the amount offered, it must be in satisfaction of his demand, and the creditor understands therefrom that if he takes it he takes it subject to that condition, then an acceptance by the creditor will estop him from denying that he has agreed to accept the amount in full payment of his demand. His action in accepting the tender under such conditions will speak, and his words of protest only will not avail him. In the case of Springfield & Memphis Railroad Co. *v.* Allen, 46 Ark. 217, this court held that, when a settlement and receipt in full of an unliquidated demand is made with a complete knowledge of all the circumstances, it is a bar to a subsequent action upon the demand, although the creditor accepts the amount paid under protest and threats of suit for a balance claimed to be due him. In such case there is an adjustment of a controversy, and the creditor, by accepting a smaller sum, which is tendered upon condition that he agrees to receive it in satisfaction of the demand, is estopped by his act from denying such agreement. Green *v.* Laws, 56 Ark. 37, 18 S. W. 1038.

"And the effect is the same where the tender or offer is made by check through the mails. In the case of Nassoiy *v.* Tomlinson, 148 N. Y. 326, 42 N. E. 715, 51 Am. St. Rep. 695, this question was under consideration, and the court said: 'The plaintiff could only accept the money as it was offered which was in satisfaction of his demand. He could not accept the benefit and reject the condition; for if he accepted at all it was *cum onere* when he indorsed and collected the check referred to in the letter asking him to sign the inclosed receipt in full, it was the same in legal effect as if he had signed and returned the receipt, because acceptance of the check was a conclusive election to be bound by the condition upon

which the check was offered. The use of the check was *ipso facto* and acceptance of the condition. The minds of the parties then met so as to constitute an accord.'

"In the case of Ostrander *v.* Scott, 161 Ill. 339, 43 N. E. 1089, the debtor sent a check to his creditor which stated that it was in full payment of his indebtedness, the amount of which was in dispute. The creditor indorsed the check and collected the same and wrote to the debtor that he only applied the amount to his credit and did not accept it in full payment of his indebtedness. In that case the court said: 'The check was made on its face a payment in full of all demands to date, and the effect, when it was received, indorsed and collected, was the same as if it had been tendered accompanied with a receipt to be signed in full of all demands to date, and the plaintiff had received the check and signed the receipt. It was the right of plaintiff to accept the check upon the terms proposed or to reject it; but there could be no modification of the terms by his will alone, without the concurrence of the defendant. If there was a controversy over a set-off, and the balance due the plaintiff was fairly in dispute, the claim could not be treated as liquidated.'

"In the case of McGregor *v.* Construction Company, 188 Mo. 623, 87 S. W. 981, the debtor mailed to the creditor a check, and stated that it was in full payment of his indebtedness and sent a receipt to that effect to be signed by the creditor. The creditor collected the check, but did not sign the receipt, and thereupon brought suit for the balance which he claimed was due him. In that case the court said: 'When he took the money knowing that the defendant transmitted it to him as payment in full for all the work done under his contract, he estopped himself from thereafter claiming that such payment did not constitute a payment in full under his contract. It was not competent, proper or legal for the plaintiff to take the amount thus transmitted to him under such circumstances, and apply it as only part payment of what he claimed the defendant owed him. If he was not satisfied with the sum thus paid, good faith required him to refuse to accept the money, to return it to the plaintiff, and to bring his suit for the amount he claimed to be due him. His conduct in retaining the money clearly estopped him from now claiming that the amount was not the true amount due him under his contract.' See also Fuller *v.* Kemp, 138 N. Y. 231, 33 N. E. 1034, 20 L. R. A. 785; Preston *v.* Grant, 34 Vt. 203; Snow *v.* Griesheimer, 220 Ill. 106, 77 N. E. 110; Beaver *v.* Porter, 129 Iowa, 41, 105 N. W. 346; Neely *v.* Thompson, 68 Kan. 193, 75 Pac. 117; Darrill *v.* Dodds, 78 Miss. 912, 30 South. 4; Cunningham *v.* Standard Construction Co. (Ky.), 119 S. W. 765.

"It is urged by counsel for plaintiffs that, inasmuch as plaintiffs immediately wrote to the defendants that the check was accepted only in part payment of the account, this was conclusive evidence that the plaintiffs did not agree to the accord and satisfaction of the demand. But if the offer of payment was made upon condition, and the plaintiffs so understood it, there was but one of two courses open to them, either to decline the offer and return the check, or to accept it with the condition attached. The moment the plaintiffs indorsed the check and collected it, knowing that it was offered only upon a condition, they thereby agreed to the condition and were estopped from denying such agreement. It was then that the minds of the parties met and the contract of accord and satisfaction was complete in law."

A further decision is that of Scheffenacker *v.* Hoopes, 77 Atl. (Md.) 130. In this case, plaintiff claiming an indebtedness against defendant, defendant sent his check for less than the amount claimed in satisfaction, directing plaintiff not to use the check unless he accepted it in full settlement. Plaintiff, while refusing to accept the check in settlement, had it certified and retained it in his possession. The court said that since, by the certification of the check, the drawer was relieved from liability, the bank becoming the debtor of the holder, such certification constituted "use" of the check, and therefore an acceptance amounting to an accord and satisfaction. The court said: "It was the use of the check that determined the question of the acceptance of the offer and not the verbal dissent by which it was accompanied. * * * It was held in Pollman Coal Co. *v.* St. Louis, 145 Mo. 651, 47 S. W. 563 that, if one accepts a payment upon the condition that it is to be received in full satisfaction of his claim by way of compromise, his entire claim becomes satisfied, even though he filed a written protest at the time of accepting the amount paid notifying the debtor that he would insist on the balance claimed. To the same effect is the case of Conn. River Lumber Company *v.* Brown, 68 Vt. 239, 35 Atl. 56, the court holding that where there is an offer of part payment of a controverted claim upon condition that the sum tendered, if accepted at all, must be taken in full satisfaction, the creditor, if he accepts the amount, takes it subject to the condition attached to the offer, and it operates as a satisfaction of his claim notwithstanding he does not intend it to have that effect and so declares when he receives the money.

"In Fuller *v.* Kemp, 138 N. Y. 231, 33 N. E. 1034, 20 L. R. A. 785, it was held that in the case of a conditional compromise offer, the acceptance of the amount tendered cancels the claim and no protest, declaration or denial on the part of the creditor can vary that result."

Also in the case of Gribble *v.* Raymond etc. Co., 109 N. Y. Supp. 242, a check given for a disputed claim contained these words: "Payment in full for commissions to January 1, 1905." The payee struck out the words quoted and collected the money without making any protest to the drawer and without its knowledge. The court held the debt was completely paid and the payee could recover nothing further.

Applying the law as set out in the above cases to the case submitted by you, the conclusion seems warranted that unless the amount of the claim was liquidated and undisputed, in which event the Electric Supply Co. could recover the balance, the acceptance and collection by them of the check for less amount than they claimed to be due but stated to be "in full pay-

ment of account" would bar them from recovering anything more, although they indorsed on the check that the amount was received only on account and not payment in full. It might be better for the drawee bank to refuse payment of a check drawn as payment "in full" when indorsed "not in full" on the theory that the instrument as presented did not represent the order of the drawer and that the bank as paying agent of the drawer might, by honoring the check, bind the drawer to an assent to the condition imposed by the payee. But even though the check be paid, I think it doubtful if the action of the bank in so paying would bind the drawer, for the limit of its authority is to pay in accordance with the direction of the drawer and the recognition of the payee's counter-condition would be beyond the authority of the payer bank. The case is one, therefore, where the payee of a check given for a disputed claim, which is stated to be "in full of account," who accepts and collects the check is barred from recovering anything further although he indorses on the check that it is not received as payment in full.

VALIDITY OF ATTORNEY'S FEE CLAUSE IN PROMISSORY NOTE

In Michigan, prior to Negotiable Instruments Act, a provision for attorney's fee in a promissory note was held void and unenforceable—In several states where similar doctrine prevailed, the Negotiable Instruments Act which provides for negotiability of instruments containing such clauses has been held (one or two cases contra) not to validate same—Point undecided in Michigan.

From Michigan—We are enclosing herewith a note form which we have had printed recently, and would like to have your opinion as to whether the following provision contained therein can be enforced under the laws of Michigan, viz.: "I further agree to pay 10 per cent. additional as attorney fee, if this note is not paid when due, and is collected by or through an attorney at law."

There has been a wide conflict among the courts in the different states as to the effect of a provision for payment of an attorney's fee in a promissory note. The cases may be divided into four classes, those which (1) sustain both the validity of the provision and the negotiability of the instrument, (2) hold that the provision is valid and enforceable but that it destroys negotiability, (3) hold that negotiability is not affected but the provision is void and unenforceable, and (4) hold that the provision for an additional amount as attorney fee above the highest rate of interest allowable renders the transaction usurious.

In Michigan, prior to the enactment of the Negotiable Instruments Act in 1905, a provision in a promissory note for an attorney's fee in case of proceedings to collect it was held to be a stipulation for a penalty, and therefore unenforceable and void. Bullock *v.* Taylor, 39 Mich. 137; Van Marter *v.* McMillan, 39 Mich. 304; Meyer *v.* Hart 40 Mich. 517; Vosburg *v.* Lay, 45 Mich. 455; Louder *v.* Burch, 47 Mich. 109; Wright *v.* Traver, 73 Mich. 493; Bank *v.* Purdy, 56 Mich. 6 (renders note non-negotiable); Bank *v.* Wheeler, 75 Mich, 546 (holding that an agreement containing such a stipulation is not a promissory note); Brewing Co. *v.* McKittrick, 86 Mich. 191; Kittermaster *v.* Bressard, 105 Mich. 220; Bendey *v.* Townsend, 109 U. S. 665 (expressly following Michigan Supreme Court decisions); People *v.* Bennett, 122 Mich. 283; Shrewsberry Point Bank *v.* Lee, 117 Mich. 123.

The almost universal enactment of the Negotiable Instruments Act which provides that the negotiability of an instrument shall not be affected although the instrument is to be paid "with costs of collection or an attorney's fee in case payment shall not be made at maturity" takes out of the conflict these cases which hold that the provision, though valid and enforceable, destroys negotiability, but it leaves uncertain the question whether the act, by recognizing and legislating upon the attorney fee provision to the extent of declaring negotiability unaffected, would be construed to validate it in those states as in Michigan, which hold the provision void and unenforceable.

The question whether the Negotiable Instruments Act validates an attorney fee provision in a state where, prior to such act, the provision was held invalid, has arisen and been decided in several states but not, as yet, in Michigan.

In Ohio, in Miller *v.* Kyle, 93 N. E. 372 the Supreme Court held (Dec., 1911) that "it is the settled law of this state that stipulations incorporated in promissory notes for the payment of attorney fees if the principal and interest be not paid at maturity, are contrary to public policy and void" and that the Negotiable Instruments Act does not give validity to such stipulations but provides only that they shall not destroy the negotiable character of instruments in which they are incorporated.

Also in West Virginia, the Supreme Court of Appeals in Raleigh County Bank *v.* Poteet, 82 S. E. 332 (decided June, 1914) has held that a stipulation in a negotiable promissory note for payment of attorney's fees is forbidden in that state by the policy of the law and is void and unenforceable; and that the Negotiable Instruments Act does not legalize contracts expressly condemned and declared void by statute of this state nor those forbidden by the policy of its laws. Two Justices dissented.

Also in Arkansas, in Bank of Holly Grove *v.* Sudbury, 180 S. W. 470 (year 1915) the Supreme Court has held: Prior to the enactment of the Negotiable Instruments Act, the policy of the state as declared by the courts, was not to enforce a provision for an attorney's fee, same being regarded as invalid and void, but it was held such provision did not destroy the negotiability of the instrument. The Negotiable Instruments Act does not change this policy and such provisions in notes executed since the passage of the act are void.

And in Kentucky, in W. H. Carsey & Co. *v.* Swan &

James 150 S. W. (Ky.) 534, year 1912, the court said: "Appellants cannot, however, recover of appellee the fee claimed for services performed by their attorney in bringing this action, although the notes sued on contain an agreement to that effect, and such a fee is recoverable under the laws of the state of Tennessee. We have repeatedly held that a provision in a note, as to the payment of an attorney's fee for bringing suit thereon, is in the nature of a penalty, against public policy and not enforceable in this jurisdiction." The court did not refer to the Negotiable Instruments Act although the notes in question were executed after the passage of, and were governed by, that Act.

In one or two states, the courts have inclined to a contrary view. Thus the Supreme Court of Appeals of Virginia, in Oglesby Co. *v.* Bank of New York, 77 S. E. 468 (decided March, 1913), used this language: "The contrary view (that the attorney's fee clause is not contrary to the public policy of the state) is also accentuated by the circumstance that the General Assembly has adopted the Negotiable Instruments Law in force in New York and, generally, throughout the United States."

Again, in Florence Oil Refining Co. *v.* Hiawatha Oil Gas & Refining Co., 135 Pac. (Colo.) 454, the Supreme Court of Colorado has held that a stipulation in a note for the payment of attorney's fees is not against public policy or void, especially in view of the provision of the Negotiable Instruments Act which makes negotiable an instrument although it is to be paid with costs of collection or an attorney's fee in case payment shall not be made at maturity which provision, it is held, impliedly recognizes such stipulations as valid.

In Nebraska and North Carolina and South Dakota, however, the Negotiable Instruments Act itself contains express provisions to the effect that nothing in the act shall be construed to authorize the enforcement of a stipulation for attorney's fee contained in a negotiable instrument, thus expressly providing against a construction of the act which would validate stipulations of this character.

The above indicates the situation at the present time. So far as Michigan is concerned, attorney's fee provisions were held void and unenforceable before the passage of the Negotiable Instruments Act which recognizes such stipulations to the extent of providing that they shall not affect negotiability. But the Supreme Court of Michigan has not yet decided the question whether the Act is to be construed as changing the judicial policy of the law and validating such kind of stipulations. The question is one upon which the courts of the different states appear to take different views, although the majority of courts which have passed upon the question down to the present time hold that such stipulations formerly held void by the courts, are not made valid and enforceable by the Negotiable Instruments Act. Until the point is decided in Michigan your question cannot be answered with certainty whether the attorney provision in your form of note can be enforced under the laws of Michigan.

CHANGE OF NAME

A common law right exists to change one's name without court order and to sue and make contracts in the new name—Statutes providing for change of name by judicial proceeding do not affect, but are in aid of common law right, by affording easier means of proof of identity.

From California—Can a man change the spelling of his name without going through the Superior Court, especially if the changing of the spelling or simplifying it does not change the pronunciation of same? My relatives have taken the matter up with the officials of a small town in Switzerland and it appears that our name some two hundred years ago was spelled "Badasche," but was later changed to "Badasch," and still later to "Badasci," the way we have been and are now spelling same. Now could we go ahead and spell our name the way it was spelled years ago without having it legalized by the Superior Court? And how about property standing in our name now, would a deed have to be made say from "John Doe Badasci to John Doe Badasche"? One more question: There are a few parties here who have changed their names. In one instance a man changed the spelling of his name so that now it has an altogether different sounding and in another instance a man has taken his mother's name. These parties have done so without having their acts legalized by the court. In these instances is the bank safe in accepting notes and mortgages executed by these men whose names have been changed? Also how about trust deeds and insurance policies?

Under the common law a man can change his name from Smith to Jones or from Badasci to Badasche, a name borne by his remote ancestors, without obtaining an order of court and can sue and be sued and make contracts in his newly adopted name. The effect of statutes whereby a change of name is made by order of court is, as I understand, supplementary to and not derogatory of the common law right, the advantage of the statutory method of court order being to fix a definite time when such new name becomes effective and by making such change a matter of record afford an easier means of proof of the identity of the person formerly bearing a different name than might be afforded by the testimony of witnesses who may have died or removed. It is a presumption of law that Smith and Jones are the names of different persons and where a person who changes his name from Smith to Jones has important rights or contracts standing in his old name which he seeks to enforce or assign in his new name, it would seem preferable to have the name changed by judicial proceeding, as thereby he could more readily overcome the presumption of law that the two names represented different persons and establish that the old and the new were the names of the same person. An examination of the authorities on this subject discloses the following:

It is customary for persons to bear the surnames of their parents, but it is not obligatory. A man may lawfully change his name without resort to legal proceedings, and for all purposes the name thus assumed will constitute his legal name just as much as if he had

borne it from birth. Emery *v.* Kipp, 154 Cal. 83 (holding that if a person chooses to take the title to real estate in a name other than his true name, so far as that property is concerned, he has assumed the name in which he takes title as his true name, and in suits affecting the property he may be sued by such designation); Wilson *v.* White, 84 Cal. 239, and Fallon *v.* Kehoe, 38 Cal. 44 (both holding that if the owner of property convey by any name, the conveyance as between himself and his grantee is valid and will transfer title); Clark *v.* Clark, 19 Kan. 522; Coplin *v.* Woodmen of World (Miss. 1913), 62 So. 7; Haywood *v.* State, 47 Miss. 1; Loser *v.* Savings Bank, 149 Iowa 672 (holding that the name of a person is the designation by which he is usually known and called in the community in which he lives and is best known; and in the absence of statute a person may change his name or acquire a new one by general usage different from that given him in infancy; and where he is generally known by different names the use of either for most purposes is sufficient); Cooper *v.* Burr, 45 Barb. (N. Y.) 9; Charleston *v.* King, 4 McCord (S. C.) 487; Linton *v.* Kittanning First Nat. Bank, 10 Fed. 894.

The rule is thus stated in the late case of Smith *v.* United States Casualty Co., 197 N. Y. 420, where Mr. Justice Vann indulges in a very learned and interesting dissertation on patronymics and pseudonyms: A man may legally name himself, or acquire a name by reputation, general usage and habit. At common law a man can change his name in good faith and for an honest purpose by adopting a new one and transacting his business and holding himself out to his friends and acquaintances thereunder, with their acquiescence and recognition. In the course of his opinion, Justice Vann said:

"The subject is not affected by the various statutes, commencing in 1847 and continuing with some expansion and changes to the present time, whereby a change of name is authorized by judicial proceedings. (L. 1847, ch. 464; Code Civ. Pro., §§2410–2415.) As was said by the Supreme Court of Pennsylvania of a similar statute in that state, this legislation is simply in affirmance and aid of the common law to make a definite point of time when the change shall take effect. (Laflin & Rand Co. *v.* Steytler, supra. (146 Pa. St. 434). It does not repeal the common law by implication or otherwise, but gives an additional method of effecting a change of name. The statutory method has some advantages, because it is speedy, definite and a matter of record, so as to be easily proved even after the death of all contemporaneous witnesses. In one respect, however, the statute may limit the common-law right, in that it provides that on and after the day specified in the order of the court for the change to take effect, the applicant shall be known by the name which is thereby authorized to be assumed, and by no other name. (Code Civ. Pro., §2415.) It may well be, therefore, that after a man has acquired a name by judicial decree he cannot acquire another without resorting to the courts."

See also In re Burstein, 124 N. Y. Suppl. 989, holding that Code Civ. Proc. §§ 2410, 2412, 2414, 2415, providing for a change of name by decree, is not exclusive and does not prevent a party from changing his name without judicial proceedings by merely adopting a new name, and recognition thereof by his friends and acquaintances. See also Delaney *v.* Gaylord, 131 N. Y. Suppl. 890, and Brayton *v.* Beall, 73 S. C. 308, to the same effect. In the case of In re McUlta, 189 Fed. 250, it was held that Pa. Act, April 9, 1852 (P. L. 301), authorizing a court of common pleas to change the name of any person residing in the county by a decree on petition and notice did not change the common-law rule that a man may lawfully change his name at will and will be bound by any contract into which he enters under his adopted or reputed name and that he may sue and be sued in that name.

But although there is a legal right, without court order, to change one's name and to sue and be sued and to make contracts in the newly adopted name, it would seem preferable, as already said, to have the name changed by court order wherever the enforcement of contract or other property rights may be involved. A pertinent illustration is afforded by the Supreme Court of California in Peckham *v.* Stewart, 97 Cal. 147. Stewart contracted with Peckham to execute a deed of certain described land which would vest in Peckham "a good and perfect title thereto." Peckham paid part of the purchase price on the date of the agreement and brought an action to recover damages for an alleged failure of Stewart to make the deed in accordance with the agreement. It appeared that the land in question had been conveyed by a former owner to one "K. F. Redmond." Thereafter one "K. F. Redman" deeded this land to Stewart and after this, and before Stewart tendered a deed to Peckham, Redman executed another deed to Stewart of the same land in which he recited that he derived title thereto under the name of "K. F. Redmond"; that his name was erroneously written "Redmond" in the conveyance which he received and that he was the identical person to whom the conveyance was in fact made under the name of "K. F. Redmond." Notwithstanding this, the court held Stewart's title to the land defective and that in tendering a deed to Peckham he did not show such title to the land as Peckham was bound to accept under the agreement. The apparent legal title was in "Redmond" and a deed executed by "Redman" was not apparently sufficient to transfer such title; the names were not idem sonans and as the purpose of the name is to identify the person to whom it is given, the presumption would be that the name of Redmond and Redman refer to different persons. The court said that the second deed from Redman to Stewart in which he recites he is the identical person named as Redmond in the prior conveyance does not help the matter. While those recitals might be true in point of fact, and upon being established by proof in a proper action, Stewart could doubtless be able to obtain a judgment reforming the deed under which his grantor Redman claimed and which judgment would, in effect, give

him a "good and perfect title" to the land within the meaning of the law and the agreement which he made with Peckham, still a good and perfect title is not only one good in point of fact, but it must also be apparently perfect when accepted—that is, free from any legal objection. It is not sufficient that it can be shown to be good as the result of an action instituted for the purpose of reforming defects in any deed, which is necessary to make the chain of title complete. The court said that in holding the second deed executed by Redman to Stewart did not, of itself, cure the apparent defect in title, it had not overlooked the act concerning conveyances (Stats. 1873–4, p. 345), the first section of which is as follows:

> "Sec. 1. Any person in whom the title of real estate is vested, who shall afterwards, from any cause, have his or her name changed, shall, in any conveyances of real estate so held, set forth the name in which he or she derives title to said real estate."

Concerning this, the court said: "This statute evidently was intended for such cases as that of a married woman conveying land to which she acquired title before her marriage; or where a man whose name has been changed by law conveys property, the title to which was vested in him prior to such change of name, but it has no application to a case like this, and cannot, without a very wide departure from its language, be construed as authorizing one who has in fact received a conveyance, but in which his name has been erroneously stated, to correct such mistake by reciting the fact in a subsequent deed. The statute applies only to the cases expressly named in it, and provides for them the same rule for conveyancing always followed before its enactment by those who understood the proper method of transacting such business."

This decision is illustrative of the difficulties which would be encountered by a man holding real estate who changed his name without court order. True, in the cited case, Redman had not changed his name, but it was inserted erroneously in the deed to him as "Redmond," but the result would have been the same had his original name been Redmond and he had subsequently changed same to Redman without court order, for in either case the presumption would exist that Redmond and Redman were two different persons and in order to make the chain of title complete, so that a deed of the property would be acceptable, it would require some legal proceeding to establish that Redmond and Redman were the same person.

You ask specifically whether a bank would be safe in accepting notes and mortgages or trust deeds and insurance policies as collateral from men whose names had been changed without court order. The decision cited would indicate that where a bank accepts a deed or mortgage from Jones of land deeded to him as Smith, the bank would hold a defective title until it was established by some court proceeding that Jones and Smith were the same person. In the case of a promissory note made to Smith or an insurance policy payable to Smith or any other contract payable or performable to Smith and transferred by him to the bank in his new name of Jones, adopted as such without court order, the question would be whether the bank would be put to any difficulty in establishing its rights of enforcement. It certainly would have to prove by witnesses that the present Jones and the former Smith were identical. Notwithstanding, therefore, the legal right of Smith to become Jones, without court order and to sue and be sued and make contracts in his new name of Jones, there might and probably would in different cases be difficulties of proof, which would be obviated if the court order method of change of name had been adopted by Smith before becoming Jones.

Of course, where the change of name is in an immaterial particular, so that the name is nearly, or almost the same, these reasons would not apply. It has been held that where two names have the same original derivation, or where one of such names is a contraction or corruption of the other name, and in common usage they are considered one and the same, the use of one name for the other is entirely immaterial. Grober *v.* Clements, 71 Ark. 565; Galliano *v.* Kilfoy, 94 Cal. 86; Wilson *v.* Turner, 81 Ill. 402; Conaway v. Hays, 7 Blackf. (Ind.) 159, where the surname "Conavay" was used for "Conaway," and it was held that the use of "v" instead of a "w" was too slight a mistake to deserve notice; Exendine v. Morris, 8 Mo. App. 383; Jackson *v.* Boneham, 15 Johns. (N. Y.) 226, where the variance between the surnames "Miner" and "Minner" was held to be immaterial; In re Jones, 27 Pa. St. 336; People *v.* Jacobson, 178 Ill. App. 313, holding that there is no substantial variance between "Stall" and "Stoll," and that they are the same name; McAuliff *v.* Hughes, 112 N. Y. Suppl. 486.

It would seem that a change from "Badasci" to "Badasche" would fall within the rule of these cases and that these names would be idem sonans—the only change is in the ending "che" for "ci"—but the Supreme Court of California, we have seen, has held that Redmond and Redman are not idem sonans and here the change is almost as slight.

The conclusion to be derived from this discussion, therefore, is that while a man has the common-law right to change his name from Smith to Jones, or from Brown to Robinson, without court order, and can sue and be sued in his new name and make contracts in the new name which will be binding upon him, nevertheless unless such change is in an immaterial particular so that the two names would be regarded as idem sonans, the better procedure, if such person holds real estate or important property or contract rights in his old name, is to procure a court order changing the name, as this would dispense with any difficulties of proof whenever he sought to enforce rights under his new name or to transfer such rights to others, such as banks, who derived rights from him which they were compelled to enforce through the courts.

Taking up your specific questions, you ask whether you could go ahead and spell your name the way it

was spelled years ago, without having it legalized by the Superior Court. The answer is you have a legal or common-law right to change your name without resorting to the court but in case of property or contract rights owned by you, there might be difficulties of proof of identity should you seek to transfer or enforce these rights, which would probably make it desirable to obtain a court order changing your name from "Badasci" to "Badasche," unless these names were to be regarded as idem sonans when such difficulties would not arise.

You further ask in case of such change, with reference to property now standing in your name of Badasci whether you would have to make a deed from "John Doe Badasci to John Doe Badasche." I think it would be preferable to obtain an order of the Superior Court which would be matter of record. Your further question with reference to the safety of a bank accepting notes and mortgages from parties who have changed their names without court order, has already been sufficiently replied to in the foregoing.

FORGERY OF DRAWEE'S SIGNATURE

General rule that drawee is bound by payment of forged check and cannot recover money from bona fide holder—Exceptions in some states.

From South Dakota—A check supposed to be drawn by one Jones to Olsen for $25 is presented to Bank B. This check was drawn on Bank A. Same was paid by Bank B and forwarded to their correspondent Bank C, they being a correspondent of Bank A. The check was forwarded to Bank A and when received by them was stamped "Paid" and filed with their daily checks. After a period of two weeks they discover the signature of Jones was a forgery and they return the check to Bank B with advice that they would hold said bank for the amount. Can they hold Bank B for this amount after accepting same and filing for a period of two weeks?

The general rule adopted by the majority of courts that have passed upon this question is that the drawee which pays a check upon which the drawer's signature is forged cannot recover the amount from a bona-fide holder to whom payment has been made. Exceptions have been established by some courts and a right of recovery declared where the holder receiving payment has been negligent or would be in no worse position, if compelled to refund, than before the check was collected from the drawee; but the majority of courts adhere to the general rule. The reasons underlying the rule are that the drawee is presumed to know the signature of its customer and is concluded from disputing it as against a bona-fide holder; that as between the drawee and a holder in good faith, public policy requires that the drawee bank should be deemed the place of final settlement.

I do not find that the Supreme Court of South Dakota has as yet passed upon this question, but if it should follow the general rule, the drawee bank in the case stated by you could not hold the receiving bank liable for the amount. In your neighboring state of North Dakota, however, the Supreme Court differing from the majority of courts, has held that the drawee may recover money paid upon a forged check, even from a good-faith holder, unless the latter would be misled or prejudiced by the drawee's payment. First Nat. Bank *v.* Bank of Wyndmere, 15 N. D. 299. Until the rule is declared in South Dakota, nothing more definite can be advised.

CHECKS UNDATED AND IN FIGURES ONLY

A bank officer in Montana writes as follows:

> "We would appreciate a letter from you advising what the general practice is of banks, especially the larger banks in regard to paying undated checks, and also what the practice is regarding checks in which the amount intended to be ordered paid is not written out in words but is in figures only. Could an item of such a character consistently be refused by a bank on which it purports to be drawn?"

This letter is published as the basis for a request to bank officers who may care to do so, to communicate with the General Counsel what the practice of their particular institution is, as well as what other information they may have as to the general practice of banks in regard to paying of undated checks and checks where the amount is expressed in figures only in the body of the instrument.

So far as the law on the subject is concerned, an opinion on undated checks will be found published in the JOURNAL for August, 1914. The Negotiable Instruments Act provides that "the validity and negotiable character of an instrument is not affected by the fact that it is not dated" and the opinion is to the effect that a check, though not dated, is a valid and negotiable order on the bank to pay on demand but that absence of a date may (although the point has not been decided) afford justification of the drawee's refusal to pay until the bank is given a reasonable time for inquiry as to the age of the check, for if a check has been outstanding for an unreasonable length of time, payment might be at the bank's peril.

Also concerning the law with reference to payment of a check where the amount is not expressed in words, but only in figures in the body of the instrument, an opinion was published in the JOURNAL for May, 1915, that such an instrument is, in law, valid and negotiable.

But even though the law may hold checks of the above character valid, there may be reasons why it is not good banking practice to pay such checks without inquiry and for the purpose of bringing out more clearly just what the custom and practice of a number of banks in this regard may be, and the reasons therefor, this request for information is published.

WAIVER OF PROTEST

Waiver by indorser on original note as applicable to renewal

From West Virginia—We have a rubber stamp, waiver of protest, as follows:

> "For value received.....hereby guarantee the payment of the within note and any renewal of same, and hereby waive protest, demand and notice of nonpayment thereof."

We have been using this stamp on the back of a note and when renewal has been made, we retain the old note and attach to the new, which has no waiver. Will this waiver on the back of the old note be sufficient to hold the indorser on the new, the indorser being the same? We consider that this waiver saves protest on any renewals, no matter how many, but the question occasionally arises will the waiver hold?

The indorser waives protest, demand and notice of non-payment "thereof," that is to say, of "the within note and any renewal of same." Although this waiver is not indorsed on the renewal, I think it would be equally binding on the indorser for a written waiver may be upon a separate paper written prior to the indorsement (Duvall *v.* Farmers Bank, 7 Gill. & J. 44) and this waiver by the indorser clearly refers not only to "the within note" but to "any renewal of same" and would therefore constitute a waiver by the indorser of demand, protest and notice of the renewal.

ENFORCEMENT OF NOTE BY HOLDER IN DUE COURSE

Bank crediting proceeds note to indorser's account is a holder in due course when proceeds withdrawn and at maturity can enforce from maker, free from defense of fraud in procurement, although indorser may then have sufficient balance against which note might be charged.

From Maryland—On February 18, 1911, we discounted for one of our customers three notes amounting to $1,600, maturing in one, two and three years, respectively, said notes being signed by eight makers jointly and severally. When the first note matured payment was refused, makers claiming that fraud had been used in obtaining them in payment for a stallion. When the second note had matured we entered suit for the amount, claiming that we were innocent holders for value; and as the first maker had died, brought suit against his estate, as he was financially the strongest maker on the note. Our attorneys had the case removed to another county for trial; claiming that a fair trial could not be had near where the makers lived. We made no defense as to the note being obtained by fraud, as we had no knowledge of how it was obtained, simply claiming that we had secured the note for a valuable consideration, and without any notice of fraud. The jury returned a verdict against us in the case, and our attorney made a motion for a new trial. We would like to know if it is necessary to show that we have actually paid out the money on this note to our customer. He has a good account, making deposits and drawing checks from time to time, and has drawn many times the amount of these notes since they were placed to his credit. Was it necessary that our bank charge this note back to our customer if his account justified it, or were we right in bringing suit against the makers, rather than demanding payment from our customer, the indorser. If you will kindly write us on these points it will be very much appreciated.

Under the facts stated in your letter, assuming the amount credited upon these notes was withdrawn prior to their maturity, your bank would appear to be a holder in due course with right to judgment against the estate of the maker sued for the full amount and is not deprived of this right because it may hold a sufficient balance to the credit of the indorser, made up of subsequent deposits which it refuses to apply thereon; the burden being on the bank, however, if fraud is alleged and proved by the maker, to affirmatively approve that it acquired title as a holder in due course, that is before maturity, for value, in good faith and without notice.

In reaching this conclusion, three questions have been considered, (1) right of bank to sue the maker instead of charging the amount to the account of the indorsing customer; (2) whether bank is deprived of the status of a holder in due course because it has not actually paid out the money on the notes to the indorser but credited same to his account; (3) the burden of proof where fraud is alleged and proved by the maker. Upon the first proposition the bank has the right to elect to sue the maker and is not obliged to charge the indorser's account with the amount.

In Citizens Bank *v.* Carson, 32 Mo. 191, a suit by a bank against the acceptor of a bill, it was held that the fact that the drawer had an account with the bank and that after protest of the bill there was a balance in favor of the drawer, would not be evidence in favor of the acceptor to show payment or satisfaction by the drawer.

See also Choteau Trust & Bkg. Co. *v.* Smith, 118 S. W. (Ky.) 279. In this case Smith gave a check to Kinsolving who indorsed it to Dunn who indorsed it to the Choteau Trust & Bkg. Co., which brought suit against Smith, the drawer. Smith contended the check was obtained by fraud and denied the bank was a bona fide holder for value, pleading that the bank was fraudulently contriving with Kinsolving and Dunn to assist them in collecting the check and to use the name of the bank as part of the fraudulent purpose of preventing him from relying on his defense against the original payee. A jury gave a verdict for the defendant Smith. On appeal, the judgment was reversed. The Court said the proof was conclusive that the bank took the check in good faith and without notice of any infirmity, paying full value therefor. Continuing it said: "But it is insisted that its not looking to Dunn for the money and insisting on collecting it from Smith is evidence that it is no longer a holder of the paper for value and that the suit is brought under an arrangement with Dunn to defraud Smith" by depriving him of his right to show that the check was obtained by fraud. As to this, the court held that as the bank was a holder in due course, it had the right under the

Negotiable Instruments Act to enforce payment for the full amount against all parties liable thereon. It said: "When the plaintiff has the right to sue all or any of the makers of an instrument at his election, the person who is sued cannot complain that others equally liable, are not sued. If six persons sign a promissory note and the payee sues one of them, he cannot complain that suit was not brought against the other five. The exercise of a legal right cannot be made the basis of a defense to an action * * * the purpose of the statute is to give the holder of the paper an election as to whom he will sue * * * if the purchaser of the paper is a bona fide holder for value when he acquires it, he may enforce payment of the paper, unless the defendant pleads and shows that he is not the real party in interest. If the defendant here had pleaded and shown the bank had no actual interest in the collection of the note or that it was simply bringing the action in its own name for the benefit of Dunn, who had already paid back to it the money it had paid him, the principle relied on by counsel would apply; but there was an entire failure to establish anything of this sort and on conclusion of the evidence, the court should have instructed the jury peremptorily to find for the plaintiff."

I quote from the above at length because it has a peculiar bearing on your case. It being the fact that your bank acquired these notes for value before maturity, without notice of fraud and still is the owner of the notes, it is entitled to sue any party thereto and is not obliged to first look to the indorser even though he has money to his credit which you could apply in satisfaction thereof. It would only be in case your bank had received payment of the notes from the indorser and was bringing suit in its own name for his benefit in order that he might escape the defense of fraud that recovery would be denied because of such fraudulent collusion. See also Martin *v.* Mechanics Bank, 6 Harr. & Johns, (Md.) 235.

Upon the second proposition, it is quite generally held by the courts that the mere transaction of discounting a note and crediting the amount on the books, without more, does not constitute the bank a holder in due course. The credit must be absorbed by antecedent indebtedness or subsequent withdrawals. However, a bank which discounts a promissory note, crediting the proceeds to the indorser's account, which becomes exhausted before the maturity of the note, is a purchaser for value, notwithstanding the indorser subsequently has deposits equal to the amount of the note (Fredonia Nat. Bank *v.* Tommei, 131 Mich. 674; First Nat. Bank *v.* McNairy, 122 Minn. 215 [holding that in determining whether such credit has been exhausted, the rule is to be applied that as checks are paid the amount is to be charged against the oldest item of deposit or credit of the customer]; Dreilling *v.* Bank, 43 Kan. 197; Shawmut Nat. Bank *v.* Manson, 168 Mass. 425; Second Nat. Bank *v.* Weston, 170 N. Y. 250; Hatch *v.* New York City 4th Nat. Bank, 147 N. Y. 184; Oppenheimer *v.* Radke & Co., 20 Cal. App. 518; McCasland *v.* Southern Ill. Nat. Bank, 127 Ill. App. 37; Choteau Trust &c. Co. *v.* Smith, 133 Ky. 418; Symonds *v.* Riley, 188 Mass. 470).

In the latest New York case on this point, Merchants' Nat. Bank *v.* Santa Maria Sugar Co., 147 N. Y. Suppl. 498, plaintiff bank discounted for a customer before maturity, the note sued on crediting the proceeds of the discount to the customer's account, which account at all times prior to the dishonor of the note contained a balance in the customer's favor in excess of the amount due on the note, but if the earliest credits were applied to the earliest debits the proceeds of the discount would have been paid out prior to any notice acquired by the bank of any infirmity in the note. It was held that, while the bank did not become a purchaser for value by merely crediting the proceeds of the discount to the customer's account, it did acquire such position when the proceeds were paid out, and that the same should be treated as paid out by an application of the rule that the first items on the debit side were chargeable against the first items on the credit side of the account.

I assume the fact in your case to be that the amount credited to your customer on these notes was exhausted by early withdrawals prior to maturity and dishonor under the rules above announced, and such being the fact, your bank would be a holder in due course.

Thirdly, Section 59 of the Negotiable Instruments Act (Sec. 78 of Md. Act) provides:

> "Every holder is deemed prima facie to be a holder in due course; but when it is shown that the title of any person who has negotiated the instrument was defective, the burden is on the holder to prove that he or some person under whom he claims acquired the title as holder in due course. But the last-mentioned rule does not apply in favor of a party who became bound on the instrument prior to the acquisition of such defective title."

Under this rule if the defendant maker alleges and proves fraud in the procurement of the notes, the burden of proof shifts to your bank to prove that you acquired them in good faith for value, without notice. Your letter does not clearly state the facts as to such allegation and proof on the part of the maker.

The foregoing considerations lead to the conclusion stated in the beginning that assuming the credit was withdrawn prior to maturity, your bank became a holder in due course of these notes, entitled to enforce payment from any or all of the makers, free from their defense of fraud on the part of the payee and is not obliged to apply a sufficient deposit of the indorser in satisfaction of the notes, in preference to suing the maker.

LOST CASHIER'S CHECK

Bank's right to indemnity before making payment or issuing duplicate.

From Missouri—On October 5th we issued in favor of M. H. our cashier's check for $188.36. He claims that he lost the same. We requested that he give us an indemnifying bond in double the amount before we issue

a duplicate. Are we right in this connection? He wants us to give him duplicate upon affidavit that the same has been lost without indorsement. Please let us hear from you that we may avoid any litigation.

I think your bank is right in its contention that as a pre-requisite to issuing a duplicate for its cashier's check alleged to be lost an indemnifying bond for double the amount be given. True, the payee claims and is willing to furnish affidavit that the check was unindorsed by him when lost, which, if true, would prevent the instrument being negotiated by any finder to an innocent purchaser, so that there would be no liability on the part of the bank as drawer of the original, but such affidavit does not remove the possibility that the bank might subsequently be held liable to an innocent purchaser through indorsement of the payee if (1) the affidavit was false or (2) the payee subsequently found, indorsed and negotiated the original draft. Your bank's right to indemnity in the case stated seems to be established by statute. The Code of Missouri provides:

> "Sec. 1983. Loss of Negotiable Notes.—If, in any suit founded upon any negotiable promissory note or bill of exchange, or in which such bill or note, if produced, might be allowed in the defense of any suit, it appear on the trial that such note or bill was lost or destroyed while it belonged to the party claiming the amount due thereon, parol or other evidence of the contents thereof may be given on such trial, and such party shall be entitled to recover the amount due thereon as if such note or bill had been produced.
>
> "Sec. 1984. Recovery Conditioned on Giving Bond.—To entitle a party to such recovery, he, or some responsible person for him, shall execute a bond to the adverse party, in a penalty at least double the amount of such note or bill, with two sufficient securities, to be approved by the court in which the trial shall be had, conditioned to indemnify the adverse party against all claims by any other person on account of such note or bill, and against all costs and expenses by reason of such claims."

Under this it has been held that where a bank issues a negotiable certificate of deposit which has been lost a bond of indemnity is necessary before recovery thereon. (Eans' Admr. *v.* Bank, 79 Mo. 182.)

It is true, some courts have held that where a customer alleges and proves that the instrument was unindorsed when lost or was lost after maturity, no bond will be required. See, for example, Citizens Nat. Bank *v.* Brown, 45 Ohio St. 39, where the payee sued the bank upon a negotiable certificate of deposit alleged to have been lost and which the bank refused to pay without indemnity. The payee testified that the certificate was unindorsed when lost and upon this the court held the bank must pay without indemnity. But the fact of non-indorsement when lost was established solely by the testimony of the depositor, from the nature of the case the bank could not deny it, and, as said by a dissenting judge in this case, "It is possible, we need not say probable, that the certificate may have been indorsed for value by the payee before loss." See also O'Reilly *v.* State Bank of Keokuk decided by the Superior Court of Keokuk, Iowa, March, 1891, where, upon proof that certificates of deposit were specially indorsed when lost and therefore not negotiable by the finder, the court held the bank must pay without indemnity. Also Means *v.* Kendall, 35 Neb. 693, where the rule was laid down that if a negotiable instrument is lost before it becomes due, the court will require the plaintiff to give an indemnifying bond to the maker as a condition of recovering judgment. But where the instrument is lost after it becomes due no bond ordinarily will be required.

The possible injustice in all these cases, which are to the effect that indemnity will not be required where an unmatured instrument is not indorsed when lost or where the instrument is lost after maturity, lies in the fact that proof of such non-negotiable condition when lost rests solely on the testimony of the owner and the issuing bank is in no position to dispute it and that, notwithstanding such testimony, the fact may be otherwise. Clearly, in such situation, the more equitable rule is one which entitles the bank to indemnity wherever the instrument alleged to be lost is of negotiable character.

In Clinton Nat. Bank *v.* Stiger, 67 N. J. Eq. 522, a bank issued three cashier's checks. The payee, alleging loss or theft, applied to the bank for duplicates. The bank offered either duplicates or the money upon receiving indemnity. The purchaser refused to give indemnity and brought an action at law against the bank. The bank brought a suit in equity to restrain the action at law. The court held that the bank was entitled to an injunction, saying: "The conduct of the defendant in this matter has certainly been unjust, for the complainant has only asked from him the indemnity which he would be required to give in any court, whether of law or equity; and it is certainly unconscionable to permit him to compel this complainant to pay the costs of a common law judgment, when he is in no equitable default. If the defendant had acted as a reasonable man should, and tendered the indemnity he is equitably bound to give, the money would have been paid to him without question."

Without further discussion, I think in the present case, under the Missouri statute, as well as upon equitable grounds, the bank is entitled to require indemnity as a pre-requisite to paying the cashier's check alleged to be unindorsed when lost, for notwithstanding the proffered affidavit, the bank would not be relieved from liability to pay an innocent purchaser should the affidavit prove to be false or should the payee hereafter find and negotiate the original cashier's check.

DUTY OF COLLECTING BANK TO PRESENT FOR ACCEPTANCE

Collecting bank must present time draft for acceptance when received and is negligent if it waits until maturity and merely presents draft for payment.

From Connecticut—Bank A receives a draft from one of its depositors, drawn on another party in the same state. Bank A has no bank correspondent in that town and forwards the draft to Bank B, one of its cor-

respondents. Bank B receives the item and forwards it to their correspondent, Bank C, located in the same town as the drawee. The draft is payable thirty days after date, and there are no special instructions attached to it, excepting that it is a "No Protest" item. Bank C receives the draft about fifteen days before maturity, and does not present for acceptance until the day of maturity, when payment is refused, and Bank C returns it to Bank B unaccepted and unpaid. Bank B contends that this draft should have been presented for acceptance upon receipt by Bank C, and if not accepted, that it be returned promptly, or Bank B notified of its non-acceptance. Bank C claims that they have a right to hold and not present for acceptance until the day of maturity.

The rule of law is that a bank receiving a time draft for collection before maturity is bound to present the same promptly to the drawee for acceptance. If it does not do so, but waits until maturity to present the draft for payment, it is negligent in its duty and will be responsible for any resultant loss. I quote the language of the Supreme Court of the United States in Exchange Nat. Bank *v.* Third Nat. Bank, 112 U. S. 276, which clearly and sufficiently states the rule of law and the underlying reason:

"What was the duty of the defendant, and what neglect of duty was there? An agent receiving for collection, before maturity, a draft payable on a particular day after date, is held to due diligence in making presentment for acceptance, and, if chargeable with negligence therein, is liable to the owner for all damages he has sustained by such negligence. Allen *v.* Suydam, 20 Wend. 321; Walker *v.* Bank of the State of New York, 9 N. Y. 582. The drawer or indorser of such a draft is, indeed, not discharged by the neglect of the holder to present it for acceptance before it becomes due. Bank of Washington *v.* Triplett, 1 Pet. 25, 35; Townsley *v.* Sumrall, 2 Pet. 170, 178. But, if the draft is presented for acceptance and dishonored before it becomes due, notice of such dishonor must be given to the drawer or indorser, or he will be discharged. 3 Kent; Comm. 82; Bank of Washington *v.* Triplett, 1 Pet. 25, 35; Allen *v.* Suydam, 20 Wend. 321; Walker *v.* Bank of the State of New York, 9 N. Y. 582; Goodall *v.* Dolley, 1 Term R. 712; Bayley, Bills (2d Amer. Ed.), 213. Moreover, the owner of a draft payable on a day certain, though not bound to present it for acceptance in order to hold the drawer and indorser, has an interest in having it presented for acceptance without delay, for it is only by accepting it that the drawee becomes bound to pay it, and, on the dishonor of the draft by non-acceptance, and due protest and notice, the owner has a right of action at once against the drawer and indorser, without waiting for the maturity of the draft; and his agent, to collect the draft, is bound to do what a prudent principal would do. 3 Kent. Comm. 94; Robinson *v.* Ames, 20 Johns, 146; Lenox *v.* Cook, 8 Mass. 460; Ballingalls *v.* Gloster, 3 East. 481; Whitehead *v.* Walker, 9 Mees. & W. 506; Walker *v.* Bank of the State of New York, 9 N. Y. 582. In view of these considerations, it is well settled that there is a distinction between the owner of a draft and his agent, in that, though the owner is not bound to present a draft payable at a day certain, for acceptance, before that day, the agent employed to collect the draft must act with due diligence to have the draft accepted as well as paid, and has not the discretion and latitude of time given to the owner, and, for any unreasonable delay, is responsible for all damages sustained by the owner. 3 Kent. Comm. 82; Chit. Bills (13th Amer. Ed.), 272, 273."

WAITING FOR THE WAR TO CEASE

Such is the condition of relator in the case of United States ex rel. Schlimm v. Howe, 222 Federal Reporter, 96.

Upon investigation, duly initiated and conducted, it was determined that relator, an alien, had since his entry into this country, been guilty of an act authorizing his deportation. He was accordingly arrested and held under a warrant for his removal to Germany, from which country he came to this one. As it is impossible for him at present to return to his native land, he seeks release by habeas corpus proceedings. The United States District Court for the Southern District of New York in disposing of the case says: "At the present time there is no regular passenger ocean service to German ports, so the authorities are unable to forward him, and are holding him until some opportunity of returning him to Germany may present itself. His continual detention is unfortunate, but certainly is not illegal. His present condition can be alleviated only by the action of the executive branch of the government. A Federal Court would not be justified in discharging him. The application for habeas corpus is denied."

TRUST COMPANY SECTION

OFFICERS OF THE TRUST COMPANY SECTION

PRESIDENT
JOHN H. MASON, Vice-Pres. Commercial Trust Co., Philadelphia, Pa.

FIRST VICE-PRESIDENT
UZAL H. McCARTER, President Fidelity Trust Company, Newark, N. J.

CHAIRMAN EXECUTIVE COMMITTEE
FRANK W. BLAIR, Pres. Union Trust Co., Detroit, Mich.

SECRETARY
PHILIP S. BABCOCK, Five Nassau Street, New York City.

MANY RESERVATIONS FOR ANNUAL BANQUET

Notice was given in last month's JOURNAL-BULLETIN that the sixth annual banquet of the trust companies of the United States, members of the Trust Company Section of the American Bankers Association, would be held at the Waldorf-Astoria in New York City on Friday evening, February 25th. It is purposed to make this banquet equally as brilliant and successful as those of previous years, and from present indications the attendance promises to be much larger than when the banquet was held in May. To date over 600 reservations have been made, coming from the following states: New York, New Jersey, Connecticut, Pennsylvania, Massachusetts, Missouri, Ohio, Illinois, Wisconsin, Maryland, Indiana, North Carolina.

For members who may not have seen the notice in last month's JOURNAL-BULLETIN, nor received the circular letter and subscription blank which was sent out from the Secretary's office on January 14th, it is again noted that the price of each cover is $12 and that application should be made promptly to Mr. P. S. Babcock, Secretary, at the office of the Section, 5 Nassau Street.

THE TRUST COMPANY MOVEMENT IN MICHIGAN

By GERALD J. McMECHAN, Vice-President Union Trust Company of Detroit.

Quietly and unobtrusively as is becoming an orphan, a mild-mannered and gentle bill wended its way through the channels of the Michigan legislature at the session of 1871, and just before the end of March that year, reached the haven marked "approved."

In further becoming way it entered upon a gentle repose, which continued undisturbed for some twelve years, when an unkindly wind started it again through the legislative channels, this time for an enlargement of some of its provisions.

This was Michigan's first bill making provision for trust companies, and what may have led to the enactment of the bill of 1871, or its amendment in 1883, is buried in the past, for apparently it was provisional only, as no step of any kind was taken thereunder either time.

Possibly some keener visioned solon of those earlier days on a pilgrimage to the east, learning of such corporate institutions in that section, thought well to have provision made against a time when Michigan—as has been much its habit—should be following the course of the eastern states, as a small boy emulates the example of a big brother.

The bill was brief and mild, contained sixteen short sections—one, No. 9, indicating the powers conferred, and the last that it take immediate effect.

Section 9 set forth that any corporation organized under the act, should have power to accept and execute any trust which might be created by instruments in writing, and to act as trustee in the matters embraced in the trust; to receive on deposit for safe-keeping gold and silver plate or securities with power to collect interest and dividends on the said securities; to rent out the use of safes and other receptacles and, to become security for administrators and guardians or other trustees or persons in cases where by law or otherwise, sureties are required.

The amendment of 1883 related altogether to the said section 9 and amplified the powers thereunder. It permitted the acceptance of appointment as trustee, executor or administrator, in addition to the powers set forth in the first bill, and provided that any deposit of gold or silver plate or of securities, might be proceeded against in order to enforce the charge thereon.

Awakening was not far off, however, for the worth and merit—yes, the necessity, for corporative agency were not to be denied and though there was hesitancy as to putting forth, for the sea was unchartered, yet the call and demand persisted, and as always among men there were those of sufficient courage and faith to respond—and of that courage and faith to construct a corporative ship to engage in trust business and to embark thereon.

For in 1886 the foresight of the earlier mentioned solon was justified and as is befitting, the honor of the first trust company in Michigan rests with Detroit.

The founders of this first company—the title being the Fidelity Loan and Trust Company—were mainly connected with the Preston National Bank of Detroit, a center in its day of many activities but which was

crushed with the City Savings Bank early in 1902 under the toppling of Frank C. Andrews' financial structure which towered high but failed in foundation.

Though this first company, which was capitalized at thirty thousand dollars, was as shown, an adjunct mainly of a larger financial institution and that carrying on a banking business—and though, therefore, it did not attain any good measure of success—yet as will be seen it was a step of no little importance in the trust company movement in Michigan.

For in the year 1889 of its experience and in conjunction with representative citizens of Michigan's second city—Grand Rapids—who alive and alert to matters of progress, had become interested in the trust company movement, it brought before the legislature in session that year, the matter of a very considerable enlargement of the trust company act and secured the necessary legislative concurrence and adoption.

While the Act of 1871 had fixed the amount of capital at not less than $50,000.00 nor more than $250,000.00, and permitted entrance upon business upon the sum of $30,000.00 being paid in, the Act as amended in 1889 provided that the capital should be not less than $300,000.00, nor more than $5,000,000.00, except that in cities of less than 100,000 inhabitants, the capital stock should not be less than $150,000.00. It further provided that fifty per cent. of the capital stock named in the articles of association be paid in before the company engage in business.

The amendment of this year—1889—again enlarged the powers, a company organized thereunder being permitted to take over such real and personal property as might be transferred to it by any person or persons, including married women and minors.

It provided that such companies should have power to act generally as agent or attorney for the transaction of business, the management of estates, the collection of rents, interest and dividends, also to act as registrar and transfer agent and to manage sinking funds.

Power was granted to loan money upon real estate and collateral security and this was followed by a sharp prohibition as follows:

> "but nothing herein contained shall be construed as giving the right to issue bills to circulate as money, or buy or sell bank exchange or do a general banking business."

A further amendment provided that such corporation could lease, purchase, hold or convey "not to exceed one acre of land," this limitation as to acreage being doubtless defensive on the part of some rural district representative against feared (and misunderstood) "trust" encroachment, and as well, all such personal estate as might be necessary to carry on its business, as well as such real and personal property as might come to it in the matter of debts.

Moving promptly under the Act as it now stood, the earlier mentioned representative citizens of Grand Rapids conferred upon their home city the credit of the second trust company in Michigan, which was organized June 1, 1889, its title being "The Michigan Trust Company"—its capital $200,000 and its officers, Mr. Lewis H. Withey, who, with marked ability, has as president conducted its affairs from its founding—with Mr. Willard Barnhart, Mr. Darwin D. Cody and Mr. Henry Idema as vice-presidents and Mr. Anton G. Hodenpyl, now of Hodenpyl, Hardy & Company, as secretary, all of whom joined ably and effectively in the development of the trust company field and in the upbuilding of their company.

Here, still relating to Grand Rapids, we chronicle the organization early in the year 1894 in that city of the Peninsular Trust Company, which gave good measure of service in the trust company province and became allied, some seven years later, with its stalwart first-born brother, and also the organization in April, 1913, in the same city, of The Grand Rapids Trust Company with an energetic and capable management made up of: Robert D. Graham, president, Lee M. Hutchins, Joseph H. Brewer and A. W. Hompe, vice-president, Hugh E. Wilson, secretary and trust officer, and Adolph H. Brandt, treasurer.

Michigan has one other trust company outside of Detroit and Grand Rapids—that being the Superior Trust Company of Hancock, which was organized in 1902 with a capital of $150,000, and which, under the skilful and businesslike guidance of George Ruppe, president; Charles L. Lawton and Henry L. Baer, vice-presidents, and J. C. Jeffery, cashier, renders service of full quality and satisfaction to the people of the Upper Peninsula.

Our recital now reverts to Detroit, and we enter upon the period of greatest importance and greatest interest with respect to trust companies; that is, the period immediately following the enlargement, as has been shown, by the legislature in 1889 of the trust company act, and this particular importance and interest take on still greater proportions in view of the recent and unsettled endeavor of Congress to confer permission upon banks to enter the trust company field, for it stands out decisively that, beyond all other times, this was the one when the highest degrees of sagacity and foresight, deliberating upon the scope of trust company powers, and taking the height and the length and the breadth thereof, made certain and unqualified conclusion that the duties of trust companies were and are in every respect definedly and distinctly separate and apart from, and to the same assured degree, incompatible with banks and the banking business.

At this period there were engaged in business in the City of Detroit banks to the number of twenty-three—of which fifteen operated under the state and seven under the Federal law—and a movement was inaugurated in September, 1890, by the same interests as had founded the first trust company in 1886, to enlist the interest of these banks in the creation of a trust company, commensurate in capital and equipment for what then appeared to be the needs of the city.

The proposition was readily concurred in and the organization determined, the stock being subscribed by active and influential individuals interested in the various banks and the title "Union Trust Company" adopted.

In the exercise, however, of characteristic discretion and sound judgment, the law on the statute books of the

state, providing for the incorporation of trust companies, was taken under study, thought and advisement, and being found seriously defective, it was concluded that the commencement of business should be deferred until there should be entered on the said statute books such amendments as would define as nearly as may be, the line of demarcation between the business to be legitimately carried on by trust companies and that of banks and as would create more adequate safeguards and protection for the public and for all persons interested in trust companies.

To this end a special committee was appointed—the members being M. W. O'Brien, chairman; Col. Frank J. Hecker, Sidney D. Miller, Frederick W. Hayes, George H. Barbour and Henry Russel—all men of high standing and rich in qualifications, and this committee is entitled to every credit for the fruits of its wisdom and sagacity, as evidenced in the amendments to the trust company act, which it secured at the session of the legislature in 1891—as to which no change of any kind has been made to this day—and which have been, and are of incalculable value in creating and maintaining the ends for which they were designed.

The additional and amendatory sections provided for greater definition of the powers of directors, for the creation of a surplus, for penalties for fraudulent conduct of officers and directors, for the maintenance of a cash reserve, for authority as to taking and conveying real property and for the placing of the companies under the jurisdiction of the State Banking Commissioner, for examinations, reports and penalties, there being eighteen new sections for this purpose.

Though of the opinion that no distinction could be too sharply set forth as between banking business and trust company business, the committee concluded that there existed sufficient bar in the prohibition hereinbefore quoted as to trust companies engaging in or entering upon the banking business, and in the inhibition that the banking business shall be carried on by companies duly authorized thereto under the laws of the state, and that the full observance of such distinction was assured under the provided supervision of the State Banking Commissioner.

Adequacy as to the law and the definition of powers being now determined, the Union Trust Company opened its doors for business in October, 1891, and has enjoyed a successful and lucrative trust business, which expands more widely and more rapidly with the succeeding years.

The holders of its stock comprised the flower of Detroit's active and successful business men, as exemplified in its first board of directors—the members of which were: James McMillan, Frank J. Hecker, David Whitney, Jr., Russell A. Alger, Dexter M. Ferry, M. W. O'Brien, M. S. Smith, Emory Wendell, George H. Russel, Hugh McMillan, Simon J. Murpny, Frederick W. Hayes, C. H. Buhl, James L. Edson, Thomas W. Palmer, Clarence A. Black, Thomas Ferguson, William H. Elliott, William C. Colburn, William L. Smith (Flint, Mich.), Sidney D. Miller, Henry B. Ledyard and George H. Barbour.

No inconsiderable part of its duties in its earlier days were such as devolve on pioneers, but to-day with an ever-widening sphere, under the wise and conservative guidance of Henry B. Ledyard, chairman of the board, and Frank W. Blair, president, it stands, influential, beneficial and substantial, one of Detroit's leading institutions.

In the certain and logical enlargement of trust business, the time arrived for Detroit's second trust company, and the year 1901 saw the incorporation of the Detroit Trust Company which, well-officered and well-managed, has met with a large measure of success and establishment. We chronicle with pleasure, the news coming as we write, of the advancement to its presidency of Mr. Ralph Stone, one of the first men to enter the trust field in Michigan and widely versed therein.

In continuous progression and widening bounds, a third company—the Security Trust Company—was formally launched in April, 1906, and like its older brothers, has enjoyed good increase in business and has taken a distinct place among the city's institutions. Its activities are in good hands, the presidency resting in Mr. Charles C. Jenks, who is well supported by a selected force, capably and energetically directed by Mr. Albert E. Green, vice-president and secretary.

This narrative reaches, at this point, completion as to material events, but there is this to add and these points to define as to trust business:

—that the highest aim and effort therein are for the protection of all clients and the conservation of their property;

—that it is distinct and remote in every sense from the business of dealing in commodities;

—that it should be especially kept apart from any business dealing in a commodity, subject to sudden and sometimes extreme fluctuations;

—that in the very contrary, it has its greatest value in stability;

—that the wise forecast of the special committee in 1891 is wholly and fully verified—for in the transaction of trust business the distinction between it and the banking business grows clearer and clearer, and

—that the maintenance of an immovable and uncrossable line as between trust business and banking business is not only proper and desirable, but in the strongest degree necessary.

OFFICIAL BADGES

A few of the official badges are left over from the Seattle convention. They will be sent to members on written request to the General Secretary, until the supply is exhausted. Applications for the badges will be honored in the order in which they are received.

JOURNALS OUT OF PRINT

The August, 1908, issue of the JOURNAL-BULLETIN is out of print. Members having copies of this issue which they do not care to preserve should send them to the Association offices at 5 Nassau Street, New York. Twenty-five cents per copy will be paid.

SAVINGS BANK SECTION

OFFICERS OF THE SAVINGS BANK SECTION

PRESIDENT
N. F. HAWLEY, Treasurer Farmers & Mechanics Savings Bank, Minneapolis, Minn.

FIRST VICE-PRESIDENT
GEORGE E. EDWARDS, President Dollar Savings Bank, New York, N. Y.

SECRETARY
MILTON W. HARRISON,
Five Nassau Street, New York City.

CENTENNIAL CELEBRATION CONVENTION TO BE HELD IN NEW YORK, NOVEMBER 15th TO 17th

The celebration which will mark the completion of one hundred years of savings banking in America, as well as the climax of a great campaign for the promotion of thrift, will be held in New York City November 15th, 16th and 17th. This was decided upon at a recent meeting of the Savings Bank Centennial Committee. Details concerning this convention will appear from time to time in the pages of the JOURNAL-BULLETIN. At this same meeting a number of propositions were considered which may aid those interested in conducting the Centennial Campaign.

In co-operation with the National Board of the Young Women's Christian Association, which reaches about 1,000,000 women and has 400,000 members, the Section is getting out a personal account book, which will be sold to the banks of the country practically at cost. Through the speakers' bureaus in the various chapters of the Institute the Young Women's Christian Associations will be furnished speakers who will give talks on thrift and banking. The main object of the Y. W. C. A. work in promoting thrift is to teach the girl how to keep account of household expenses and to live within her income. They distribute cards containing five pertinent questions for a woman earning a salary:

How much have I earned all told in my life?
How much could I have saved if I had wanted to?
How much do I possess free and clear now?

How much of the difference between earnings and present possessions has been frittered away?

What am I going to do from this time on to secure my living expenses in sickness and in old age?

Another card they distribute is intended to be stuck in the side of a mirror and reads:

Do my clothes dress me for my job?

Do my clothes tell everybody what time I got up this morning?

Do my clothes emphasize my good points, in color, line and material?

Do my clothes display good judgment—or the price that I paid for them?

Do my clothes show a feeling for true simplicity—or slavery to fashion?

The Section is sending "Talks on Thrift" to 246 general secretaries of Young Women's Christian Associations in the United States and to about 300 Young Men's Christian Associations.

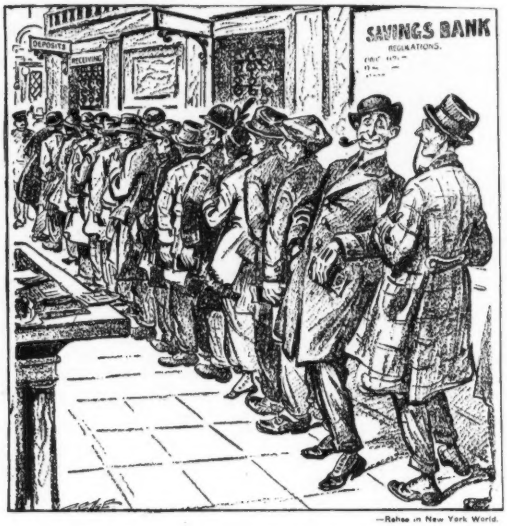
Through the National Americanization Committee the Section is reaching the immigrant and teaching him *confidence* in our savings institution. It is needless to teach him thrift, for generally he has acquired that habit before landing on our shores. On January 19th and 20th the National Americanization Committee held a conference in Philadelphia when "Economic Preparedness" was discussed.

School Savings

By far the most important practical work of the campaign is in the extension of the school savings system. It is expected that thousands of new school banks will have been established before the end of the year.

HELPS IN THE THRIFT CAMPAIGN, BY WASHINGTON CHAPTER

"PREPAREDNESS"—*Cassel in The N. Y. World*



—Rehse in New York World.

"WELL, WELL, OLD TOP; SO YOU'VE MADE THE RESOLUTION TOO?"

For example, in New York City those in charge of the campaign are working for one hundred of these new banks before the first of May. Of course, in New York this matter of organizing new school banks, comparatively speaking, is not so difficult a matter as in a smaller community where competition is rife among the banks. The entire co-operation of the Board of Education of the city has been secured. It is even a difficult matter to get all the savings banks interested. They seem to be concerned more about whether they are encroaching upon the territory of another savings bank than to complain of any other bank securing the business that they could get. In a smaller community the main difficulty is in keeping all the banks from actively competing for the business. It does not seem right that this great work of school savings extension should be hindered solely by competition among the banks.

Talks on Thrift

Excellent publicity is being secured through the Thrift Talks which are sent out each month. It costs the Section approximately $120 per month to send out these talks, but in comparison with the amount of publicity received the cost is insignificant. The talks are sent out in sets once a month to be released each week of the following month. They are being run in two series, viz.: The Savings Bank Centennial series, consisting of Talks on Banking, written in a way which is easily understood by the ordinary person; the Thrift Campaign series, which consists of Talks on Thrift and contains considerable human interest.

Campaign Buttons

The Whitehead & Hoag Company has submitted a sketch of a pin-button which contains reference to the Centennial and Thrift Campaign. They will get these out by the hundred thousand and will sell them to the Chapters of the Institute and the banks interested in the campaign in quantities, at a minimum price, for distribution to the public. The cost would be $4.30 per thousand.

Boiler Plate

An interesting proposition which is worthy of our consideration is presented by the American Press Association. They will send to the newspapers a page, the size of an ordinary newspaper, containing talks on thrift, short articles with reference to the campaign and to the centennial and to savings banking in general, at the request of the banks. The banks pay $1.60 or $2.10, according to their geographical location, for each page sent to a newspaper. The copy which is sent to the newspapers is already set up and ready to be placed on the press. We are expected to secure the requests from the banks through circularizing them. They will send their orders, together with their checks, to the American Press Association. The entire United States will be circularized at one time.

Exhibits for Chapters

The National Exhibit Bureau will furnish the Section with posters eight feet long by three or four feet wide containing pictures illustrating waste and extravagance and the value of the thrift habit. They will furnish these posters, containing four pictures each, for $15 a piece. From three to six posters make up a set sufficient for an exhibit. These posters can be folded so that they make a small enough package to carry around conveniently or send from city to city. An exhibit of this sort will be of great assistance to the Chapters and cities conducting local thrift campaigns.

CLEARING HOUSE SECTION

OFFICERS OF THE CLEARING HOUSE SECTION

PRESIDENT
J. D. AYRES, Vice-President The Bank of Pittsburgh, N. A. Pittsburgh, Pa.

VICE-PRESIDENT
W. D. VINCENT, Vice-President Old National Bank, Spokane, Wash.

CHAIRMAN EXECUTIVE COMMITTEE
JOHN McHUGH, Vice-Pres. Mechanics & Metals Nat'l Bank, New York, N. Y.

SECRETARY
JEROME THRALLS, Five Nassau Street, New York City

JEROME THRALLS APPOINTED JOINT SECRETARY OF NATIONAL BANK AND CLEARING HOUSE SECTIONS

Jerome Thralls, cashier and secretary of the Federal Reserve Bank of Kansas City, will resign from that institution this month to become secretary of both the National Bank Section and the Clearing House Section of the American Bankers Association. The selection of Mr. Thralls was made by a joint sub-committee from the executive committees of both Sections. The Clearing House Section has been without a secretary since the resignation of O. Howard Wolfe a few months ago, and it was deemed best to combine this office with the secretaryship of the National Bank Section, which was organized at Seattle. The appointment becomes effective February 21st.

Mr. Thralls has had an interesting career. Born on a farm near Mindon, Mo., March 12, 1881, between the ages of fifteen and twenty he spent his time in mercantile, real estate and country bank business in various towns in Jackson, Linn and Livingston counties, Missouri, the major portion of that time at Chillicothe. From 1901 to 1904 he worked in various towns in Kansas, Iowa and Missouri in the employ of two express companies. He became manager and secretary of the Kansas City Clearing House Association in 1904. In this position he served with distinction for ten years, until his election October 30, 1914, as secretary and cashier of the Federal Reserve Bank of Kansas City, which he assisted in organizing. He was re-elected January 4, 1916. He inaugurated and conducted to a large degree the campaign which caused a Federal reserve bank to be located at Kansas City.

In collateral lines of banking and commercial activity in Kansas City Mr. Thralls has taken a prominent part. He served four years as secretary and treasurer of the Bankers Club of Kansas City, which he helped to organize. He also organized the National Currency Association of Kansas City and St. Joseph and served as its secretary and treasurer until its dissolution. He was a member of the committee that organized Kansas City Chapter of the American Institute of Banking and conducted classes in the Chapter.

It is interesting to note that during Mr. Thralls' term as manager of the Kansas City Clearing House a country clearing department was developed, handling items on 5,600 banks. There was also inaugurated the clearing house examination system and a clearing house gold depositary. At various times he has assisted the Kansas City Association of Credit Men in conducting credit classes.

STATE REPRESENTATIVES

At the Seattle meeting of the Clearing House Section it was decided to inaugurate a system of state representatives corresponding, in a sense, with the state vice-presidents of the other Sections. In accordance with this decision the following have been designated and have accepted the appointments:

Alabama—E. F. Ladd, president Merchants Bank, Mobile.

Arizona—C. O. Ellis, cashier Bank of Douglas, Douglas.

Arkansas—A. D. Foster, cashier Merchants & Planters Bank, Pine Bluff.

California—Wm. H. High, assistant cashier Anglo & London Paris National Bank, San Francisco.

Colorado—M. D. Thatcher, Jr., vice-president First National Bank, Pueblo.

Connecticut—Leon P. Broadhurst, president Phoenix National Bank, Hartford.

Delaware—L. L. Maloney, treasurer Security Trust & Safe Deposit Co., Wilmington.

District of Columbia—John Poole, president Federal National Bank, Washington.

Florida—Giles L. Wilson, vice-president Florida National Bank, Jacksonville.

Georgia—Chas. B. Lewis, vice-president Fourth National Bank, Macon.

Idaho—C. H. Coffin, cashier Boise City National Bank, Boise.

Illinois—Wm. T. Fenton, vice-president National Bank of the Republic, Chicago.

Indiana—G. H. Mueller, vice-president Fletcher-American National Bank, Indianapolis.

Iowa—L. E. Stevens, president Century Savings Bank, Des Moines.

Kansas—C. W. Carey, president National Bank of Commerce, Wichita.

Kentucky—H. D. Ormsby, cashier National Bank of Kentucky, Louisville.

Louisiana—A. T. Kahn, vice-president Commercial National Bank, Shreveport.

Maine—Edwin D. Holden, manager Portland Clearing House Association, Portland.

Maryland—A. D. Graham, vice-president Citizens National Bank, Baltimore.
Massachusetts—Benjamin Joy, vice-president National Shawmut Bank, Boston.
Michigan—J. H. Johnson, president Peninsular State Bank, Detroit.
Minnesota—W. F. McLane, cashier Hennepin County Savings Bank, Minneapolis.
Mississippi—Oscar Newton, president Jackson-State National Bank, Jackson.
Missouri—W. H. Powell, president Citizens National Bank, Sedalia.
Montana—Harry Yaeger, vice-president Great Falls National Bank, Great Falls.
Nebraska—W. A. Taylor, vice-president First National Bank, Hastings.
Nevada—J. W. Davey, secretary Reno Clearing House Association, Reno.
New Jersey—Henry G. Parker, president National Bank of New Jersey, New Brunswick.
New Mexico—G. L. Rogers, vice-president First National Bank, Albuquerque.
New York—W. W. Batchelder, vice-president National Commercial Bank, Albany.
North Carolina—J. V. Grainger, vice-president Murchison National Bank, Wilmington.
North Dakota—F. A. Irish, vice-president First National Bank, Fargo.
Ohio—L. F. Kiesewetter, vice-president Ohio National Bank, Columbus.
Oklahoma—Frank J. Wikoff, president Tradesmens State Bank, Oklahoma.
Oregon—A. O. Jones, assistant cashier First National Bank, Portland.
Pennsylvania—O. Howard Wolfe, assistant cashier Philadelphia National Bank, Philadelphia.
Rhode Island—Herbert J. Wells, president Rhode Island Hospital Trust Company, Providence.
South Carolina—E. W. Robertson, president National Loan & Exchange Bank, Columbia.
South Dakota—W. E. Stevens, president Security National Bank, Sioux Falls.
Tennessee—J. S. McHenry, vice-president Fourth & First National Bank, Nashville.
Texas—Edwin Hobby, cash. Security Nat'l Bank, Dallas.
Utah—E. A. Culbertson, assistant cashier National Bank of the Republic, Salt Lake City.
Virginia—W. M. Addison, vice-president First National Bank, Richmond.
Washington—H. C. MacDonald, assistant cashier Seattle National Bank, Seattle.
West Virginia—W. B. Irvine, vice-president National Bank of West Virginia, Wheeling.
Wisconsin—Wm. M. Post, cashier National Exchange Bank, Milwaukee.
Wyoming—A. C. Jones, cashier First National Bank, Laramie.

THE CLEARING HOUSE AND THE COUNTRY BANKER

At the meeting of the Clearing House Section of the American Bankers Association in Seattle, R. F. McNally, manager of the country bank department of the Mississippi Valley Trust Company, St. Louis, read a paper on "Clearing House Organizations from the Standpoint of a Country Banker." Mr. McNally's paper proved to be so interesting a discussion of the subject that it was ordered printed for distribution. Copies may be had in pamphlet form on application to the Clearing House Section.

NEW MEMBER

The Richmond Country Clearing Association, Richmond, Va., has been enrolled as a member of the Section, which makes a total membership of 191 associations.

INSURANCE COMMITTEE MEETS

The Insurance Committee of the American Bankers Association held a meeting at the general offices of the Association, 5 Nassau Street, New York, January 14th. There were present Oliver J. Sands of Richmond, chairman, H. G. Parker of New Brunswick, N. J., and Secretary B. A. Ruffin. The other member of the committee, H. P. Beckwith of Fargo, N. D., was unable to come. Matters connected with the Association's fidelity bond and burglary insurance were discussed. The committee also met with prominent representatives of several of the surety companies and held conferences in connection with the subject.

STUDIES IN ENGLISH

PART I—ENGLISH GRAMMAR—A treatise—without dry rules or barren definitions—on the formation of words and the relationship of words in sentences.

PART II—ENGLISH RHETORIC—A treatise—clear, forceful and magnetic—on correspondence, speech-making and writing for publication.

PART III—ENGLISH EXERCISES—Practical application of the principles of learning by doing.

"Studies in English" costs $1 and is supplied by the Correspondence Chapter of the American Institute of Banking, 5 Nassau Street, New York City.

Investigate the Correspondence Chapter System of Self-Examination.

NATIONAL BANK SECTION

OFFICERS OF THE NATIONAL BANK SECTION

PRESIDENT
FRED. W. HYDE, Cashier National Chautauqua County Bank, Jamestown, N. Y.

VICE-PRESIDENT
J. S. CALFEE, Cashier Mechanics-American National Bank, St. Louis, Mo.

CHAIRMAN EXECUTIVE COMMITTEE
J. ELWOOD COX, President Commercial National Bank, High Point, N. C.

SECRETARY
JEROME THRALLS, 5 Nassau Street, New York.

FEDERAL LEGISLATIVE COMMITTEE MEETS WITH NATIONAL BANK SECTION AND RESERVE GOVERNORS

The Executive Committee of the National Bank Section met in Washington January 19th and 20th, and also held joint meetings with the Committee on Federal Legislation and with the Conference of Governors of the Federal reserve banks. The Conference of Governors is an unofficial, voluntary organization, brought into existence for interchange of ideas, discussion of common problems and mutual helpfulness. The members discuss matters with the Federal Reserve Board and its committees and they discussed various questions with the Section's Executive Committee and the Legislative Committee, but, of course, arrived at no conclusions and recommended no action in regard to anything.

At the meeting of the Executive Committee of the National Bank Section many letters from bankers were read and discussed. The letters covered such subjects as the demand of prompt acknowledgment of receipt of currency shipments by the Treasury Department, the proposed stamp tax on checks, interlocking directorates, etc.

The committee made record of its approval of the plan to have national bank sections organized by state bankers associations and the secretary (when elected) was instructed to take up the matter of such organizations with the vice-presidents of the Section in the several states. This is a matter of unfinished business and will be taken up at the next meeting.

At a joint meeting with the Committee on Federal Legislation, Charles A. Hinsch, chairman of the last-named committee, was chosen to preside. Four questions for discussion with the Conference of Governors were agreed on—interlocking directors was assigned to Mr. Paton for presentation, readjustment of reserves to Mr. Van Deusen, foreign banking connections to Mr. Hinsch and the retirement and cancellation of the greenbacks to Mr. Sands.

Plans for an amendment to the Clayton Act, modifying the regulations as to directorates, are in preparation. There was no dissent to the proposal for an amendment of the Reserve Act which will permit national banks to invest an amount equal to about 10 per cent. of their capital in the stock of a bank organized in this country to hold a controlling interest in banks to be established in foreign countries or to permit national banks to own stock in banks already established in foreign countries through combined ownership of a domestic corporation or bank.

The plan approved as to reserves was that the reserve requirements for country banks be reduced from 12 to 9 per cent. It was contended generally that this reduction would permit country banks to carry the necessary deposits with correspondent banks for exchange purposes and enable them to keep established connections. The discussion was not concluded. Figures were presented tending to show that the Reserve Act made a greater reduction in the reserve requirements for country banks than is ordinarily considered. This is due to the reduction to 5 per cent. as the legal requirement against time deposits. In some parts of the country it was shown that the time deposits of country banks exceed in amount the demand deposits. Considered in its entirety, therefore, the reduction in reserve requirements for country banks may bring the percentage below the 9 per cent. proposed. It will be necessary, perhaps, to gather more particular information from all sections of the country before this question can be settled.

As to the greenbacks, it was simply pointed out that this form of currency has no place in the Federal reserve system. It is as obsolete as the office of comptroller, and is a menace to the banks and nation. Most particularly it is a contributing cause to inflation and one that may be removed now with no disturbance. A sub-committee, composed of Mr. Van Deusen and Mr. Sands from the National Bank Section, and Mr. Mason from the Federal Legislative Committee, was appointed to prepare a plan for the retirement of the greenbacks. The sub-committee was directed to confer with the Currency Commission of the American Bankers Association on this subject.

Mr. Hinsch and Mr. Van Deusen were appointed as a sub-committee to study the question of foreign banking connections and report at the next meeting.

A proposal that the whole matter of reserve requirements be made the subject of discussion at the meeting of the Section in Kansas City next fall was approved and referred to the Committee on Program.

The question of the return of all payments on capital stock to reserve banks was referred for consideration and report to General Counsel Paton.

Those present at the meeting were Fred. W. Hyde, president; J. Elwood Cox, chairman; W. M. Van Deusen; Oliver J. Sands and Fred. E. Farnsworth, acting secretary. The members of the Committee on Federal Leg-

islation were Charles A. Hinsch, chairman; J. W. Perry; J. H. Fulton; W. A. Sadd and Thomas B. Paton, General Counsel.

Unless sooner called the next meeting of the Executive Committee will be held at Briarcliff Manor, during the spring meeting of the Executive Council of the Association. The members of the Federal Reserve Board and the Conference of Governors will be invited to meet the National Bank Section then.

STATE VICE-PRESIDENTS

Two changes have been made in the list of state vice-presidents of the National Bank Section as published in last month's JOURNAL-BULLETIN. The new appointees are: Alabama, T. J. Reynolds, president Fourth National Bank of Montgomery; Arizona, H. J. McClung, president Phoenix National Bank of Phoenix. Members should correct their lists accordingly.

MORE COMPLAINTS OF FEDERAL RESERVE ACT

Bankers representing Group VI. of the New York State Bankers Association, comprising banks in Westchester, Dutchess, Putnam, Rockland and adjacent counties, at a meeting at the Hotel Martinique in New York City, Saturday, January 22d, discussed the workings of the Federal Reserve Act and passed resolutions protesting against certain features, particularly that relating to the compulsory check collection system. The resolutions in full are as follows:

"*Resolved*, That the members of Group VI, of the New York State Bankers Association, in meeting assembled, hereby urge their representatives in Congress to use every honorable effort to secure amendments to the Federal Reserve Act, repealing the section with reference to the collection of checks and amending the clause relating to the payment of reserves to the end that no further reserves be paid into the Federal reserve banks.

"That this group go on record as opposed to any compulsory system for the collection of checks, and that if any compulsory system be adopted by the Federal Reserve Board or bank of this district the Chairman call a special meeting of the group."

"*Whereas*, The Federal reserve bank act in operation has taken from the national banks over $440,000,000 from which an income was received, and now over 80 per cent. of this vast sum is 'dead money,' with chances of its always being unused except in times of acute financial disturbances, and whereas a provision of said Act, which its framers intended to put into force, would bring to the member banks loss of exchange and active banking competition on the part of the Federal reserve banks—the exchange loss coming more directly to the smaller banks and amounting to over 20 per cent. of their net profits in many cases; and whereas the banking law of the state of New York gives to the state banks privileges which permit them to serve their customers better and obtain for their stockholders larger dividends than national banks can under the new law—

"*Be It Resolved*, That we, the members of Group VI. of the New York State Bankers Association, in meeting assembled, do hereby urge the members of Congress now representing the districts in which we live, to appear before the Banking and Currency Committee at Washington and request that modifications of the law be made, to the end that the national banks shall not be compelled to add to the vast sum of 'dead money' now in the Federal reserve banks, said sum now being a basis for the issuing of approximately $1,000,000,000 of currency, vastly more than enough to stem any panic, as past experience will show; that the handling of checks be as it has been in the past, taken care of by the banks in their regular business dealings with each other, and the rate governed by the business relations existing between banks and their customers as well as with each other, and in planning changes for the law, the thought shall be to make it as liberal as the state laws now are, thus holding the banks now in the system as members and giving state bankers no excuse for not joining—for without the 17,000 outside banks as members the Federal reserve bank can never be truly national."

MASSACHUSETTS BANQUET

The annual banquet of the Massachusetts Bankers Association was held at the Copley-Plaza Hotel, Boston, Mass., on Wednesday evening, January 5th. This was the largest and most successful banquet ever given by the Massachusetts bankers; in fact, with 870 plates, it was probably the largest bankers' banquet that had ever been given up to that time.

The banquet was complete in every particular and a most excellent menu was furnished by the Copley-Plaza. The famous Salem Cadet Band, Jean Missud, conductor, provided the music. The toastmaster was the president of the association, Ashton L. Carr, vice-president State Street Trust Company of Boston, who presided in a most excellent manner. There were bankers in attendance from all parts of New England, from New York, Philadelphia and some western cities.

The speakers and subjects were as follows: Hon. Myron T. Herrick, "Rural Credits;" C. Stuart Patterson, "The Duty of the Hour;" Hon. Thomas Mott Osborne, "Common Sense in Prison Management;" Samuel J. Elder, "International Boycott."

Secretary George W. Hyde of the Massachusetts Bankers Association is entitled to much credit for the very excellent arrangements for this banquet and the pleasure given to the guests attending.

STATE SECRETARIES SECTION

OFFICERS OF THE STATE SECRETARIES SECTION

PRESIDENT
HAYNES McFADDEN, Secretary Georgia Bankers Association, Atlanta, Ga.

SECOND VICE-PRESIDENT
FREDERICK H. COLBURN, Secretary California Bankers Association, San Francisco, Cal.

FIRST VICE-PRESIDENT
S. B. RANKIN, Secretary Ohio Bankers Association, Columbus, Ohio.

SECRETARY-TREASURER
GEORGE D. BARTLETT, Secretary Wisconsin Bankers Association, Milwaukee, Wis.

NEW FEATURES IN BOOK OF PROCEEDINGS

There is now ready for distribution the year book, reporting the proceedings of the State Secretaries Section at the convention held at Seattle, Wash., September 7, 1915, and every secretary and former secretary should have his copy by the time this issue of the JOURNAL-BULLETIN is received. In appearance and general arrangement the book is very much similar to those of previous years, with the exception that some new features have been incorporated which will be found of some interest and value. For example, to the usual historical account of the association's existence has been added a statistical record of the conventions held, the year, place, etc., also a list of past officers, including presidents, first and second vice-presidents, secretary-treasurer and members of the board of control. These are all arranged in chronological order and form a record which will doubtless assist in bringing back many pleasant recollections among old-timers. In addition, a separation has been made in the list of ex-secretaries, those no longer in the banking business being grouped by themselves. If any error or omission has been made, secretaries will confer a favor by notifying General Secretary Farnsworth to that effect. The book contains eighty-four pages and is bound in blue de luxe cloth with gold stamping.

HEADQUARTERS AT KANSAS CITY

At a meeting of the Executive Council of the California Bankers Association held at San Francisco, January 15th, Secretary Colburn was directed to arrrange for headquarters for the association in connection with the annual convention of the American Bankers Association at Kansas City. This decision naturally will be a particularly gracious compliment to James K. Lynch of San Francisco, President of the American Bankers Asociation.

Following a recommendation of the Committee on Agricultural Development and Education a subscription to the *Banker-Farmer* was authorized for each member of the California Bankers Association.

The office of the association has been moved to 327 Mills Building from the former rooms in the same building.

MISSOURI DATE CHANGED

The twenty-sixth annual convention of the Missouri Bankers Association will be held in St. Louis, and the dates of the convention have been changed to May 23d and 24th. This change was necessary because of the fact that another large convention is to be held in St. Louis during the ten days of May 7th to the 17th, which fact makes it impracticable for the Missouri Bankers Association to hold its convention on the dates originally set.

NEW DELAWARE SECRETARY

Announcement is made that William G. Taylor, vice-president and treasurer of the Delaware Trust Company, Wilmington, succeeds Caleb M. Sheward as secretary-treasurer of the Delaware Bankers Association.

CONVENTION CALENDAR

Feb.	22	Vermont.....St. Johnsbury
April	27-29	Alabama.....Pensacola, Fla.
April	——	Arkansas.....Little Rock
April	7-8	Florida.....Daytona
May	2-4	Texas.....Houston
May	8-10	Ex. Council, A. B. A..Briarcliff Manor, N.Y.
May	11-12	Kansas.....Salina
May	18-20	California.....Fresno
May	18-19	Pennsylvania.....Philadelphia
May	23-24	Mississippi.....Laurel
May	23-24	Missouri.....St. Louis
May	25-27	Georgia.....Macon
May	——	New Jersey.....Atlantic City
June	15-16	North Dakota.....Minot
June	15-17	Washington.....Everett
June	16-17	New Eng. Bankers Assn..Swampscott, Mass.
June	17	Rhode Island.....Swampscott, Mass.
June	20-21	Iowa.....Waterloo
June	22-23	Minnesota.....Minneapolis
June	28-29	So. Dakota.....Sioux Falls
June	——	New York.....Atlantic City
June	——	Oregon.....Portland
Sept.	12-14	Ohio.....Columbus
Sept.	20-22	Am. Inst. of Banking.....Cincinnati
Sept.	25-30	Amer. Bankers Assn.....Kansas City, Mo.
Sept.	——	Investment.....Cincinnati
Sept.	——	Kentucky.....Paducah
————		Reserve City Bankers.....Detroit
————		Idaho.....Lewiston
————		Utah.....Ogden
————		West Virginia.....Wheeling

BULLETIN

OF THE

AMERICAN INSTITUTE OF BANKING

FORUM OF THE INSTITUTE

KANSAS PLAN OF EDUCATION

The Kansas Bankers Association has been appointed agent of the Correspondence Chapter of the American Institute of Banking Section of the American Bankers Association for the purpose of furnishing instruction to students in the state of Kansas in accordance with the objects and methods of the American Institute of Banking as hereinafter described.

INSTITUTE ORGANIZATION—The American Institute of Banking Section of the American Bankers Association is devoted to the education of bankers in banking and the establishment and maintenance of a recognized standard of education by means of official examinations and the issuance of certificates of graduation. In suitable cities bank officers and employees are organized in Chapters for educational work in accordance with the class method of instruction. Students outside of city Chapters are associated in the Correspondence Chapter and provided with instruction by mail. Chapter organization and education are thus made uniform and universal. Correspondence Chapter instruction in the Institute study course is particularly adapted to conditions in Kansas and is therefore made the basis of educational work conducted by the Kansas Bankers Association. Such work is supplemented by instruction in Kansas state banking law.

INSTITUTE STUDY COURSE—To qualify students for official examinations for Institute certificates, which are termed final examinations, the Institute provides a standard course of study in the form of serial text-books including exercises which will be supplied to students in Kansas by the Kansas Bankers Association. Such study course is divided into two parts. Part I pertains to BANKING and such principles of economics as apply to the banking business and consists of (1) a text-book including exercises entitled "Banks and Banking," (2) a text-book including exercises entitled "Loans and Investments," (3) a final examination in review of the two text-books including exercises thus provided. Part II of the Institute study course pertains to LAW with special reference to negotiable instruments and consists of (1) a text-book including exercises covering the subject of "Commercial Law," (2) a text-book including exercises covering the subject of "Negotiable Instruments," and (3) a final examination in review of the two text-books including exercises thus provided. Credit is given severally for final examinations successfully undergone, but Institute certificates are issued only to students who have passed final examination in both Part I and Par II of the Institute study course.

CORRESPONDENCE INSTRUCTION—In correspondence instruction in Kansas the Kansas Bankers Association as agent of the Correspondence Chapter supplies individual students with the serial text-books including exercises that constitute the Institute study course. The exercises in connection with each text-book are to be written by students and submitted to the Kansas Bankers Association whenever done. The work of students thus produced is corrected and returned with such criticisms and suggestions as may be helpful in each case. The personal relationship thus established between students and instructors stimulates ambition, and the fact that all lessons must be written insures thought and thoroughness.

To conduct correspondence work thus described the Kansas Bankers Association shall employ one or more competent instructors subject to the approval of the Correspondence Chapter, whose duties shall be to (1)

correct the exercises submitted by students as prescribed in connection with respective text-books, (2) to answer questions asked by students during the progress of their work, (3) to conduct final examinations and grade the same in accordance with conditions prescribed by the Correspondence Chapter. Answers to final examinations thus graded, however, shall be submitted through the Correspondence Chapter to the American Institute of Banking for revision. The Institute may not make many if any changes in such gradings by instructors, but it reserves the right to do so.

The correspondence method of education provides for the individual instruction of students by mail. The class method of education implies the personal association of students under the direction of an instructor. A combination of class and correspondence methods is expedient where more than one and less than ten duly enrolled correspondence students can meet informally and discuss text-literature and exercises among themselves. Under such plan no local instructor is required but class members are supposed to meet and discuss prescribed lessons under the leadership of some one of their own number. In the combination plan of instruction thus described the personal association of students is informal and such association neither changes the individual relationship of correspondence students to the Kansas Bankers Association nor implies any modification of the character or cost of individual correspondence instruction.

To individual students in Kansas the cost of correspondence instruction in the Institute study course, including text-books and serial as well as final examinations, is $15 for Part I pertaining to banking and $15 for Part II pertaining to law, less one-third to officers and employees of institutions that are members of the Kansas Bankers Association. Checks for correspondence instruction should be made payable to the order of the Kansas Bankers Association, and sent to W. W. Bowman, Secretary, Topeka, Kansas. No particular form of enrollment is required.

Class Instruction—Where ten or more students can conveniently meet once a week the class method of instruction may be expedient. Such class work implies the employment of a local instructor subject to the approval of the Kansas Bankers Association and the Correspondence Chapter. Instructors thus employed shall (1) assign lessons in the Institute text-books and conduct oral instruction in connection with such lessons, (2) use the exercises in the back of respective text-books as the basis of examinations to reinforce instruction thus conducted, (3) conduct final examinations and grade the same in accordance with conditions prescribed by the Correspondence Chapter. Answers to final examinations thus graded, however, shall be submitted through the Kansas Bankers Association and the Correspondence Chapter to the American Institute of Banking for revision. The Institute may or may not make changes in such grading by instructors but it reserves the right to do so.

The text-literature and oral instruction provided in class work are educational food. Examinations are the process of digestion. The mind as well as the body requires exercise, and the student who ducks or dodges examination is like the dyspeptic who bolts his food or the athlete who sidesteps his training. The fact should be appreciated that examination is something more than measurement and certification. Students who realize that they are to be examined pay closer attention to their lessons. The process of examination also corrects omissions and misconceptions otherwise inevitable in any system of study. Examination is a fundamental necessity in practical education and not a scholastic superfluity as some persons suppose or pretend to suppose.

In the class method of instruction thus described each class pays for the services of its own instructor. The Kansas Bankers Association will supply the necessary text-books and arrange through the Correspondence Chapter for the revision of answers to final examination questions. To each class member the cost of text-books and revision of answers to final examinations thus provided is five dollars ($5) for Part I of the Institute study course pertaining to banking and five dollars ($5) for Part II pertaining to law. Checks accordingly should be made payable to the Kansas Bankers Association and sent to W. W. Bowman, secretary, Topeka, Kans.

CLASSIFICATION OF BONDS

A Kansas banker writes that he cannot comprehend the numerous titles under which bonds are classified.

This subject is covered in the Institute study course, which is adapted to the needs of many bank officers as well as most bank clerks. The proper classification of bonds is a difficult problem, owing to their multiplicity and the ingenuity of financiers and near-financiers in inventing new kinds and new names. Bonds may be logically classified, however, according to (1) the character of the obligor, (2) the purpose or function of issue, (3) the character of security, (4) the conditions of payment of principal and interest, (5) the evidence of ownership and transfer.

Classification According to Character of Obligor—In accordance with the character of the obligor bonds are classified as civil bonds and corporation bonds. Civil bonds include government bonds and municipal bonds. Government bonds include United States bonds, bonds of United States territories and dependencies, and bonds of the various states that constitute the nation. Municipal bonds include bonds of cities, counties, townships, villages, precincts and tax districts. Corporation bonds are classified as transportation bonds, public utility bonds, and industrial and miscellaneous bonds. Transportation bonds consist of bonds of railroad, steamship, ferry, express and interurban corporations. Public utility bonds consist of bonds of street railway, gas, electric light, water, water power and telephone corporations. The terms industrial and miscellaneous include reclamation bonds, timber land bonds, real estate bonds and mining company bonds. Federal bonds or United States

Government bonds, as they are better known, are those issued by the United States Government for public purposes. Their scope naturally is broader than that of either state or municipal bonds. Among the various purposes for which Government bonds are issued may be mentioned interstate canals, wars, improvements in the Philippine Islands and Panama Canal. Most United States bond issues are purchased by big bond houses, but occasionally there has been what is known as a popular bond issue, subscriptions to which have been extended to small purchasers. There are certain public duties to be performed by a state government, such as building highways, canals, state schools for various purposes and charitable institutions, all of which may be the subject of bond issues, the payment of which may be provided by taxation in the same manner as with municipal bonds. The bonded debts of the states vary from nothing in Illinois and Iowa and a few other states to over $57,000,000 in New York and $79,000,000 in Massachusetts.

Broadly speaking, any bond issued by the general government or any subdivision of the general government, such as state, county or city, is a municipal bond, but in the general acceptation of the term a municipal bond is one issued by a city or town for the purpose of providing funds for public works or improvements thereon. Such bonds may be issued for the erection of a school house, and are thus known as school bonds, but must be paid in the same way as any other municipal, namely, by taxes levied upon the people in the school district. Bonds for street improvement, sewers, waterworks or drainage, issued by a municipality or a subdivision thereof, come under the heading of municipal bonds, and their payment is provided for in the same way. In considering municipal bonds as an investment, the first and fundamental consideration is that of legality. It has sometimes happened, even after all legal phases of an issue have been carefully scrutinized by capable lawyers, that some hidden point has been discovered which has invalidated the entire issue. Generally speaking, a municipal bond issue, in order to be legal must be in accordance with the Constitution of the United States and must be authorized by a specific statute of the state in which the municipality is located. After the legality of a municipal bond issue has been established, the investor should assure himself that there is a sufficient amount of taxable property within the district to insure the payment of the interest and principal of the bonds. He should satisfy himself also as to the financial reputation of the municipality.

The vast amount of money needed for the extension, maintenance and improvement of the great railroad systems of this country makes it necessary that railroads should continually borrow for these purposes. Consequently millions of dollars are annually raised by the railroads by means of these bond issues. Bonds issued by traction companies are similar to railroad bonds in their purpose. Bonds issued by gas, electric light and water companies are what are known as quasi-public securities or public utility bonds and are issued for much the same purpose as are railroad securities. Industrial bonds are classified as private securities and, as a rule, are issued by manufacturing concerns for the prupose of supplying capital from time to time for the enlargement of the plant or the acquirement of other plants.

Classification According to Purpose of Issue—Among the bonds which derive their titles from the purpose of issue are adjustment bonds, construction, car trust, extension, improvement, purchase money, refunding and terminal bonds. Adjustment bonds are issued to enable a company to adjust its finances or for the purpose of adjusting the interests of two or more corporations. Construction bonds, as their name implies, are for the purpose of erecting new buildings or in the case of a railroad new trackage, and, as a rule, are secured by a first mortgage on the property. A progressive railroad is under the constant necessity of increasing its car equipment, and therefore car trust bonds or notes are issued and the money thus raised is used for enlarging this department of its business. Such bonds are usually secured by the cars themselves. The purchase of locomotives, boats, etc., naturally is made under this classification. Extension bonds are primarily for the purpose of extending the main line of a railroad from one point to another. Improvement bonds naturally are issued for the purpose of repairs and improvement on a property. These, in the case of a railroad, may include buildings, stations, trackage, rights of way, switch yards, etc. Purchase money bonds are those which are used as part consideration on the purchase of properties. Refunding bonds are issued for the purpose of procuring funds which shall be used in retiring previous issues. Sometimes this is done with the idea of securing a lower interest rate and sometimes in order to take care of matured obligations. Terminal bonds are usually issued by subsidiary companies which are organized to hold title to terminal stations and properties for one or more railroad companies.

Classification According to Character of Security—Based on their security, bonds are naturally divided into two classes, unsecured and secured. Unsecured bonds include government, state and municipal, and these are sometimes called "plain" bonds. They are unsecured because they are accompanied by no collateral contract such as is the case with the majority of railroad, traction and industrial bonds. Secured bonds include such as have back of them actual value which may be obtained by the bondholder in case of default in payment of the bonds. Among the various kinds of secured bonds may be mentioned land grant bonds, the security for which is a mortgage on the lands involved; real estate railroad bonds secured by a mortgage on real property not actually used in the operation of the road; sinking fund bonds secured by a fund created by a contract which is usually in the hands of a disinterested trustee; prior lien, first, second and third mortgage bonds, the security for which is indicated by their titles.

Classification According to the Conditions of Payment—Bonds which are classified according to this feature include gold bonds, silver bonds, currency, legal tender, callable, convertible and joint bonds. Gold,

silver, currency and legal tender are payable as indicated by their titles in the kind of money described. Practically all railroad bonds are gold bonds and payable therefore in gold. Some Mexican and South American issues are payable in silver. Ohio, southern, and western municipal bonds are frequently paid in currency or legal tender. Callable bonds are those which may be paid before maturity at a rate usually in advance of the par value. Fully three-quarters of the railroad bonds are callable at some time or another. Union Pacific First and Refunding 4s due in 2008 are callable, for instance, in 1918 at 107½ and interest. Convertible bonds are those which permit the holder to exchange or convert them at a specified rate into other forms of property.

CLASSIFICATION ACCORDING TO OWNERSHIP AND TRANSFER—Under this classification there are three kinds, coupon, registered and registered coupon. Coupon bonds are those which contract for the payment of interest by means of separate coupons falling due at stated intervals. These coupons may be detached and presented for payment the same as any promissory note. Registered bonds are those which are recorded with the registrar and the transfer of the title of which in order to be legal must be made with such registrar. In the case of registered bonds interest payments are made only to the registered holder or upon his order. Registered coupon bonds are those the principal of which is registered, the coupons being made payable to bearer.

BRITISH BANKERS IN THE WAR

A Chicago Chapter member interested in military affairs wants to know the attitude of the English Institute of Bankers toward military service and the number of English bankmen now in war service.

No less than 2500 members of the English Institute of Bankers are serving in the army and navy. The number is probably greater but information is at present incomplete. The foregoing statement is made on the authority of Lord Inchcape, president of the Institute, in an address at a recent meeting of the organization. With regard to recruiting and other matters, Lord Inchcape said:

"When the call for men for the army and navy was made, more than a year ago, the members of the banks' staffs were among the first to volunteer, and about 20 per cent. of their total responded to the call in the first few months of the war. That proportion has steadily increased, and I believe has now reached from 30 to 40 per cent. Lord Derby has appealed to the banks further to reorganize their staffs so that still more men will be given leave to enlist, and difficult though the task has now become, I am sure the banks will loyally respond to the best of their ability. It speaks well for the men that, large as is the number of those who have joined the army, there are many others waiting to offer their services as soon as they can be spared, and the readiness and spontaneity displayed by the younger members of our profession affords an example of which we may well be proud.

"But the difficulty of carrying on the work of the banks in their absence is a very real one, and I shall not exaggerate when I say that it is causing the gravest anxiety to those on whom the responsibility rests. Much of the work of a bank can only be carried out by those who have not only technical knowledge and experience, but who know the customers of the banks, are familiar with their signatures and with local business conditions, and the substitutes who take the place of men who enlist do not possess and cannot be expected to possess these qualifications.

"The Clerical and Commercial Employments Committee, appointed by the Home Secretary to inquire into and provide the means for minimizing these difficulties, has recognized the importance of retaining a sufficient nucleus of trained men, and has suggested the preparation by the banks of a reasoned statement as to the classes of specially skilled or experienced employees of whom some must be retained in order to enable the business of banking to be carried on. This statement has been supplied, and it is hoped that a working arrangement will be come to by which as large a proportion of men as possible will be spared. Meantime the London clearing banks are considering how the work may best be reorganized and rearranged so as to economize time and work, and among other proposals a scheme for shortening banking hours in London is in preparation.

"Another step which will, I am sure, be welcomed by the London banks is announced by the Education Department of the London County Council, by whom instruction classes are being formed in the principal London districts for giving a rapid training under practical teachers to women and men who are desirous of obtaining temporary positions in banks. Of course, such training can, in the time at the teacher's disposal, only be rough and ready, but even so it will be of great value, for there is little time or opportunity for giving instruction in the course of the day's work."

GOLD IMPORTS

A New Jersey student asks for statistics in regard to gold imports and an opinion as to the effect of gold imports upon financial conditions in the United States.

During the year 1915, that is, from January 1st to December 24th, the amount of gold imported into the United States was $435,875,000. The exports of the precious metal during the same period amounted to $226,825,000. This, it will be seen, is $209,050,000 less than the amount imported. Of the amount imported, about $213,000,000 was in foreign coin, about $155,000,000 in coin of the United States and about $44,000,000 in bullion. About $280,000,000 of it came through the port of New York or through Canada and then into the United States. San Francisco, however, received importations of about $66,000,000. The effect of gold imports upon business conditions is, of course, problematic. In connection with the importation of gold the

fact should be considered that the aggregate of American securities returned to this country is very considerable, and the movement tends to increase as our markets rise and the pressure on the other side increases. Moreover, the United States has taken during the year approximately $1,000,000,000 of foreign loans, and has received on balance over $400,000,000 in gold, a movement of the standard metal that is without a precedent in history.

George E. Roberts recently expressed the opinion that "unless we are on our guard, the stimulus of more and more gold, with a continuance of easy money and low interest rates, will continue to expand credits, and force prices and wages upward until the level of costs upon which business is done in this country will be far above that of the rest of the world.

"When the war ends and Europe goes back to industry, the influences which normally work to restore the equilibrium of trade and of credit between countries will be released and come quickly into full operation. The United States will have more than its normal share of the world's gold, according to the distribution of capital, trade and industry before the war. Can we hold it? Only so much as our share of the world's business will enable us to hold. What will our share be, if we are exalted upon a plane of costs far above the rest of the world? Can we immediately and voluntarily reduce wages and prices all along the line to meet the competition of Europe? Unless we do so, our exports will fall off, gold will flow out, credits must be contracted, and the readjustment will be forced in rude and unrelenting terms.

"If money remains easy here, and interest rates are lower and security prices higher here than in Europe when the war ends, securities will come this way faster than they do now. European holders who have hesitated from timidity to part with their safe American investments will do so then, and there will be less timidity here about buying European securities. All of this will promote an outward gold movement. Every influence will tend to drain gold from us, if we have allowed ourselves to be lifted to an artificial basis.

"Of course, if we have self-denial enough to simply receive the gold and hold it unused, until we have opportunity to exchange it for goods or securities abroad, we shall escape these evil effects. In that event we shall have merely given our goods for something for which we have no present use, and which will be dead property while we hold it.

"If we hold money idle under such conditions, we will show more self-restraint than any other people has ever exhibited. All in all, it will be safer to have this abnormal flow of gold into the country stopped. We do not need any more for the full employment of our people or to enable us to work our industries to the limit of their capacity. More will have in it great potentialities for mischief. It will be much better to use additional credits that accrue in our favor, first, in the purchase of our own securities now held abroad; second, in the purchase of securities representing good properties in other countries, preferably the countries of Latin-America, with whom we desire to establish more intimate relations, and, finally, by temporary investments in commercial bills or government obligations in the countries from which we are likely to experience a demand for gold after the war is over. None of these forms of investment will derange the home situation; they are all better than idle gold in vaults, and all can be resold in foreign markets after the war is over, if desirable to do so, as a means of offsetting claims against us for gold. This is the prudent policy. It avoids taking gold which we cannot hope to hold permanently, and the acceptance of which means in reality the creation of a dangerous liability; it enables us to stay down on a level of costs where we can make a hopeful contest for trade after the war is over, and it will afford us a favorable entry into countries where there is a possibility of building up permanent trade."

FRENCH THRIFT

The following interesting account of the thrift of the French people was received a few days ago from the United States Consul-General at Paris in answer to an inquiry made for the Institute Forum:

"In France the savings banks are government institutions, under the control of the Ministry of Commerce, Post, Telegraphs and Telephones.

"The total amount of deposits is about two billion francs, or about 400 million dollars. The maximum sum received on deposit from any one person being Frs. 1,500 ($289.50). The population of France was estimated, on January 1, 1915, to be about 39,300,000.

"In regard to your question as to whether the French Government encourages saving, I have to say that no special effort is made to encourage deposits in the savings bank. On the other hand, however, the Government, by authorizing the issuance of "City of Paris" and "Crédit Foncier" bonds of low denominations, payable by instalments, and benefiting by prize drawings, encourages the poorer classes to invest their money in gilt-edged securities bearing 3 per cent. or 4 per cent. interest.

"Take, for example, the City of Paris issue of 1912. The bonds, of a face value of Frs. 300, were issued at Frs. 285, with 3 per cent. interest. The first instalment was only ten francs, and the balance of Frs. 275 was payable by instalments of Frs. 25 (less accrued interest), payable up to September of this year; that is to say, one payment every three or four months. The issue will be repaid entirely in seventy-five years, but, to render the issue more attractive, for the first twenty-five years there will be a monthly prize drawing, with prizes varying from Frs. 100,000 downwards, and for the last fifty years the drawings will be quarterly.

"You will readily understand the attraction that the possibility of winning a prize which will render him independent for life has on the working man, and it is not astonishing to find at least half of the working

class families in France holders of one or more bonds of this description.

"All the City of Paris issues since 1865, and there have been about twenty, have been made on similar lines.

"You will thus see that the Government, although doing little or nothing to encourage deposits in its savings bank department, by permitting lottery bonds saleable by instalments to be placed within the reach of the poorer classes, has offered them an exceptional opportunity of laying money aside.

"The saving habit is so strong in France that it is extremely difficult to find any special examples for your request for stories of French thrift.

"In the country districts children, when they have finished the 'Ecole Communale' at the age of thirteen or fourteen, are sent to work on farms more or less distant from their parents' residence, where they are lodged and fed and paid a small annual retribution, averaging about Frs. 300 ($57.90). In most cases the parents, who receive the money, pay it into the savings bank for the child, and when the boy has finished his military service, or the girl is of marriageable age, they find themselves possessed of a small capital with which either to begin business or to form the dowry which is generally expected in this country."

THRIFT IN SPAIN

The American Cousul-General is responsible for the following account of thrift in Spain:

"The 'Caja de Ahorros y Monte de Piedad de Barcelona,' as the local bank for savings is called, was founded in 1844, to encourage thrift among small wage-earners, and is governed by a board of directors named by royal decree; thus the official patronage of the Spanish government is assured. On deposits amounting to not more than pesetas 5,000, an annual interest of 3 per cent. is paid, subject to the approval of the board of directors and the civil governor of the province. That the arrangement is successful is demonstrated by the fact that during the year 1914, 19,858 new depositors were added to the already long list; of the total 129,643 depositors the institution reports that 19,997 are minors; 36,458 are women; 24,262 are servants, and 40,529 are day laborers. The estimated population of Barcelona is 800,000.

"According to the published report of the 'Caja de Ahorros,' the total amount of deposits, including interest, was, on January 1, 1915, pesetas 52,296,551.59, chiefly in small sums of from one peseta (at present approximately equal to nineteen cents) upwards. With the object of teaching children to save, the 'Caja de Ahorros' sells stamps of from five centimos (approximately one cent) each, to be pasted by the purchaser on small sheets, which may be entered at the bank when the value of the stamps reaches one peseta. This method of small saving is fostered by the teachers, and in some instances by the instructors in certain recreation centers.

"Except at the beginning of the year, when the bank publishes its annual statement in the daily newspapers and its report in pamphlet form, it advertises but little, if at all; but through its depositors, it is widely advertised throughout wage-earning Barcelona, and it is not an unusual sight in January of each year to see scores of children, women and laborers inquiring as to the balance of their accounts."

ANGLO-FRENCH LOAN FUNDS

A correspondent in St. Louis inquires about the transfer of funds received from the sale of the $500,000,000 Anglo-French bonds.

All banks which participated in the distribution of the bonds were permitted to retain the money received by them as deposits in the name of the two governments, provided the banks were willing to pay 2 per cent. interest. Very few banks objected to paying interest, and consequently the proceeds of the loan were distributed among about 1100 banking institutions located in all parts of the country. As the funds are required by the governments, a notice is issued by the agents for a transfer to a central depository in New York City. To date, five calls, amounting to 85 per cent. of the total have been issued. Following table gives the dates and percentages: First, November 15, 1915, 15 per cent.; Second, November 29, 1915, 30 per cent.; Third, December 13, 1915, 15 per cent.; Fourth, January 4, 1916, 15 per cent.; Fifth, January 31, 1916, 10 per cent.

MR. HULBERT

Edmund D. Hulbert has been elected president of the Merchants Loan and Trust Company of Chicago. Mr. Hulbert was president of the American Institute of Banking during the most critical period of its history and the Institute owes much to his sound judgment and patient diplomacy. One of his most gracious acts was to pass the Institute examinations and thus put the stamp of his personal approval upon systematic study and graduation as the definite aim of Institute work. Mr. Hulbert has done for the Institute more than the Institute has done for him, but in his case the Institute has at least served the purpose of a post-graduate course of study in human nature.

SHARES WITHOUT PAR VALUE

A banker of Washington, D. C., referring to an article on "Wall Street Has Managers' Shares and Shares Without Par Value," published in the January JOURNAL-BULLETIN, asks whether the government collects the emergency war revenue tax on stocks which have no par value.

Uncle Sam has NOT collected any tax on these securities. The law imposes a stamp tax of five cents "on each $100 of face value or fraction thereof" of new corporate stock issues. The Commissioner of Internal Revenue has ruled that as the law is worded, the govern-

ment cannot demand the payment of the tax. The Collector of Internal Revenue in New York reports that the issuing banking house has not offered to buy any stamps to affix on the certificates. It is reported that the law may be amended so that "no par value" stocks shall hereafter not escape taxation.

A PROFESSIONAL BANKER

Harold J. Dreher, assistant cashier and manager of the bond department of the Marshall and Ilsley Bank of Milwaukee, has been appointed an assistant cashier of the National City Bank of New York. Mr. Dreher is an Institute graduate and also an Institute Associate. His success is due largely to his personal realization of the ideal that banking is a science whose practice is a profession. Under Mr. Dreher's presidency of the Institute the last vestige of the idea that the Institute is anything else than an educational organization was dispelled. His subsequent service as a member of the Board of Regents has been invaluable in the systematization and extension of Institute work.

PENALTY FOR NON-RESIDENCE

A correspondent asks whether there is any restriction against non-resident directors of national banks. There is. The law provides that the number of non-resident directors shall not exceed 25 per cent. of the total. The January elections furnished an interesting illustration of how this provision of the law has prevented two faithful officers from being elected to the directorate of the bank which they serve.

Stockholders of the Chase National Bank of New York have for some time past been anxious to add Vice-Presidents Samuel H. Miller and Edward R. Tinker to the board, but they have been unable to do so because both of these gentlemen reside in New Jersey, and the limit of non-resident directors has already been attained.

JAPANESE BANKING

In answer to an inquiry on banking in Japan, Consul-General Skidmore sent the following letter from Yokohama, dated December 16, 1915, to the Forum:

"The modern system of banking in Japan dates from the National Banks Regulations in 1872. The regulations for ordinary banks are applicable to savings banks also. Savings banks, whose business is to take charge of the deposits made by the public at compound interest, must be joint-stock companies. Their directors are jointly under unlimited liability with respect to the obligations of the bank incurred during their term of office, and upon the lapse of two full years after their retirement therefrom are released from such liability. Savings banks must, as guarantee for repayment of savings deposits, provide themselves with interest bearing national or local loan bonds corresponding in value to at least one-fourth of the deposits received and place them in the Deposit Section of the Department of Finance. If, however, the said guarantee fund reaches an amount equal to at least one-half of the capital, commercial bills and reliable companies' debentures and shares may be used. Any alteration in the articles of association of a savings bank or any change in the kind and method of its business must be previously approved by the Minister of Finance.

"When a bank (1) receives a sum of less than $2.49 as a deposit at a time, (2) takes deposits periodically or several times within a certain period by fixing beforehand the time of repayment, or (3) receives money periodically or several times within a certain period under a promise to pay a certain sum of money at a certain period, it may be regarded as a bank transacting the business of a savings bank.

"In 1905, 481 savings banks and 202 other institutions engaged in the savings bank business in addition to their principal business received $118,017,608 of savings deposits and paid 9.4 per cent. interest. In 1914, 500 savings banks and 153 other firms carrying on a savings bank business took in $156,042,987 worth of savings, paying an interest of 4.2 per cent. on them. The total number of postal savings depositors in the year ending March 31, 1915, was 12,928,005, over 50 per cent. of whom were farmers and students, and the value of these was $100,985,778.

"The population of the Japanese Empire, according to the last census, was as follows:

Japan proper	54,843,083	
Chosen (Korea)	15,911,937	(of which 291,217
Taiwan (Formosa) estimated at	3,500,000	are Japanese)

"The Post Office Savings system was introduced in 1875. A single deposit must not be less than ten sen (almost five cents), and the total amount deposited must not, except for public corporations and in other special cases, exceed $498; if a deposit exceed this sum and the depositor does not reduce it to the said limit, he is required to buy with the surplus national loan bonds and other securities. The rate of interest on deposits was increased from 4.2 to 4.8 per cent. in April, 1916. Moreover, there have been established postal savings, the withdrawal of which is restricted by agreement among several persons or is not permitted within a fixed term, and joint savings, the deposit of which is made by several persons jointly in the name of their representative, and also special savings for emigrants abroad to deposit in the postal savings at home from their place of residence."

VICE-PRESIDENT HECHT

Rudolph S. Hecht has been made a vice-president of the Hibernia Bank and Trust Company of New Orleans. Mr. Hecht is one of the original Institute graduates and a member of the Institute Executive Council. His chief characteristic is hard work—the essence of what is generally looked upon as genius—and the ability to concentrate and systematize work so as to make it effective. Incidentally Mr. Hecht is a public-spirited citizen. He is a lecturer in Tulane University and holds the honorary position of Commissioner of Docks at New Orleans.

Study Course in Savings Banking

LESSON 4

"Savings Banking in the United States"

Savings Deposits To-Day—Origin and Growth of Savings Banks—The First Five Banks—Mutual and Stock Banks—Savings Departments in Commercial Banks and Trust Companies—Competition for Savings Deposits—Proper Investments—The Necessity for Safeguarding Deposits Through Segregation—Future of Savings Banks—Municipal Savings Plan—Rural Credits—Summary.

By MILTON W. HARRISON

THE Comptroller of the Currency, in his annual report, presented to the first session of the Sixty-fourth Congress of the United States, reported 2,150 savings banks, both stock and mutual, in the United States containing $4,997,706,013.01 on deposit belonging to 11,285,755 depositors. A report issued in 1820 showed ten savings banks with 8,635 depositors and $1,138,576 on deposit. This was only four years after the first savings bank was established in the United States. The average due each depositor in 1820 was $131.86 and the average per capita in the United States was twelve cents. To-day the average due each depositor is $442.83 and the average per capita amounts to $49.91 with the nation's population estimated at 100,125,000. If this were the entire aggregate of savings deposits it would be enormous; but when we add the deposits in the savings departments of commercial banks and trust companies, the building and loan associations, the postal savings banks and the private banks we are surprised at the sum total—$9,106,935,827.13.

World's Savings

The proportion in the United States of the world's savings is about three-sevenths, the total world's savings being $22,153,546,160.12. This includes the savings in all kinds of savings banks. Out of an estimated total population of all countries having savings banks of 1,005,339,000, there are 132,506,114 depositors.* This means a world average deposit account of $136.18 and an average per inhabitant of $17.94. It is interesting to note that while the amount of deposits in the United States is huge, yet the number of savers in proportion to population is about eleven per cent., which is two per cent. less than that of the entire world.

Savings and Progress

From the above figures it can readily be seen that the great progress we have made in the past century is to a large degree attributable to the savings banks. When the financiers in New York City were deliberating on how they were to finance the Civil War, Jay Cooke conceived of a plan, which was successfully carried out, for collecting the driblets from the pockets of the people which made a total of over a billion dollars. Recently when the French Government requested the people to take their gold from the hoarding places and invest in the new French loan everyone was amazed when the loan of 5,000,000,000 francs was oversubscribed. Assuredly, therefore, the savings banks have been a great force in the nation's affairs as well as encouraging the people to be more thrifty.

In the United States the savings banks have participated in collecting the separate rivulets of individual savings into great reservoirs of loanable funds for the development of the country; for the excavation of its mines, for the building of its factories, for the cultivation of its farms, for the improvement of its cities and towns and for the construction of its highways of commerce, more capital was needed than could have been contributed by unorganized individuals. Therefore to-day in the United States the railways, mines and mills and the farms are all worked by the accumulation of the savings of labor.†

Possibilities of Savings

There is no doubt that if the savings power of the United States were fully developed the total would be inconceivable. That there is plenty of room for development along these lines is evidenced by answers to the question recently sent out by Superintendent Richards of the New York State Banking Department to every state in the Union: "Are the American people saving money?" Forty states replied as follows:

ALABAMA .....No—distinctly no.
ARIZONA .....Bank resources increase substantially.
ARKANSAS .....Saving is increasing.
CALIFORNIA .....Yes—emphatically.
COLORADO .....Normal gain.
CONNECTICUT .....Gain shown.
DELAWARE .....Good gain in bank resources.
GEORGIA .....No data available.
ILLINOIS .....Figures show gain.
INDIANA .....Gain shown.
IOWA .....Gain shown.
KANSAS .....No—decidedly no.
KENTUCKY .....Not very much.
LOUISIANA .....Yes; thrift movement progressing.
MAINE .....Slight gain shown.
MARYLAND .....Yes.

*Not including banks other than stock and mutual savings banks.

†C. Stuart Patterson, address—Edinburgh, 1910.

MASSACHUSETTS...No data available.
MICHIGAN .....Yes.
MISSISSIPPI .....Figures show decrease.
MISSOURI .....Gain shown.
NEBRASKA .....Gain shown.
NEW HAMPSHIRE..Little change.
NEW JERSEY.....Yes.
NEW YORK.....Nominal gain.
NORTH DAKOTA....Yes; magnificent crops helped.
OHIO ....Yes; thrift being encouraged here.
OKLAHOMA .....Figures suggest yes.
OREGON .....No data available.
PENNSYLVANIA ...Moderate gain.
RHODE ISLAND....Yes.
SOUTH CAROLINA..Yes.
TEXAS .....Yes; people have begun to save.
VIRGINIA .....Yes; to some extent.
WEST VIRGINIA...State hard hit in 1915.
WISCONSIN .....Gain shown.
WYOMING .....Slight gain shown.

Here are a few other replies from the south which show the possibilities of that section of the country:

John S. Patterson, Commissioner of Banking, Texas:

"Texas has not developed the savings habit as much as the eastern states; in fact, it is just now beginning to.

"While our state banking law provides for savings banks, there are no savings banks organized in Texas. However, we have thirty state banks that have regularly authorized savings departments, but the deposits in these banks in their savings departments are only about $4,000,000.

"There is no question but that all the people in Texas have been much more economical in the past year than heretofore, as indicated by the fact that the banks in Texas this year did not have nearly the demand for loans that they usually have.

"It is the consensus of opinion of all parties who have given the matter any study that the farmers made their crops and maintained their families at about half the expense they usually have.

"Also there is no doubt but that general conditions of banks, both state and national, in Texas at this time, as a whole, are better than they have been for a number of years."

I. M. Mauldin, State Bank Examiner, South Carolina:

"The total resources of all the banks under the jurisdiction of this department decreased from $79,251,853 in June, 1914, to $66,797,890 in June, 1915.

"This was due partly to the fact that we had a very hard year during this period in this state, owing to the effect of the European war on the prices of agricultural products, especially cotton. It is further accounted for by the fact that some of our state banks nationalized during this period.

"In spite of all this, it is worthy of note that the savings deposits in the state banks have not decreased—in fact, during the past year there has been a slight increase in savings, though we have considerably fewer state banks than we had a year ago."

A. E. Walker, Superintendent of Banks, Alabama:

"Alabama has lost considerably, not only in total resources of state banks, but also in total savings deposits.

"This is due to two reasons: first, the falling off in the price of cotton, owing to the European war, and, second, the advent into the state of Alabama for the past two years of the boll weevil.

"The result has been that the people have not been in position to save money. They have been compelled to call upon resources which ordinarily would not have been touched.

"Alabama is eminently an agricultural state, and the losses in the value of our agricultural products have been enormous. Alabama has begun a systematic fight for diversification of crops and for a reduction in the cotton crop. When this is accomplished bank resources and savings accounts will greatly increase.

"Individually, I think thrift and saving are a matter of education. Certainly, as far as Alabama is concerned, it is a matter of education. As long as people are ignorant they do not know how to save.

"There seems to be a tendency all over the country to inflate prices. Personally, I do not believe that cheap money tends toward thrift and economy.

"Unfortunately, the people of the United States have never had to economize to any great extent and as long as money is plentiful and easily obtained we may expect speculation and insecure investments."

Thomas J. Smith, Banking Commissioner, Kentucky:

"The total resources of all institutions under my supervision, including trust companies and combined banks and trust companies, decreased from $113,378,652 in June, 1914, to $107,489,310 in June, 1915.

"I am of the opinion that the American people as a whole are enjoying great prosperity and are making money, but I do not believe they are saving in the same ratio.

"Our state is primarily an agricultural one, and the farmers for the past few years have been making money. A great many of them are showing their prosperity by improving their surroundings and buying automobiles.

"Taken as a whole, I am fearful that we are not as thrifty a people as we should be."

J. Dukes Downes, Bank Commissioner, Maryland:

"There was a falling off (from $106,100,503 to $105,060,644) in the total resources of the Mutual Savings Banks, which seems to have been due to the fact that there was a growth of savings accounts, and there was also a very considerable investment of savings by the depositors themselves.

"I think it has been the case with the people of this state that they have been saving money.

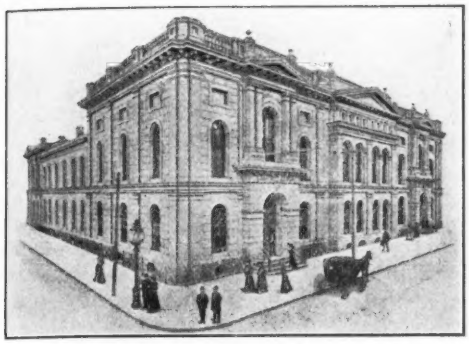
"All our state banks and many of our trust companies have savings departments, and this class of deposits seems to be constantly increasing. The same conditions exist in the national banks of this state, most of which have savings departments."

R. N. Sims, State Bank Examiner, Louisiana:

"The total resources of all state banking institutions under my supervision decreased from $126,069,907 in June, 1914, to $120,531,439 in June, 1915. The apparent shrinkage may be misleading. The fact is that our banks had less borrowed money in June, 1915, and were in a much better condition than in June, 1914.

"I think that the American people have been only moderate in their efforts to save money. But I believe that the agitation, here and elsewhere throughout the country, directing the public's eye to the blessing of thriftiness, is bearing good fruit.

"I look for a large increase in savings deposits during the next few years."



THE PHILADELPHIA SAVINGS FUND SOCIETY

The following table is an interesting comparison:

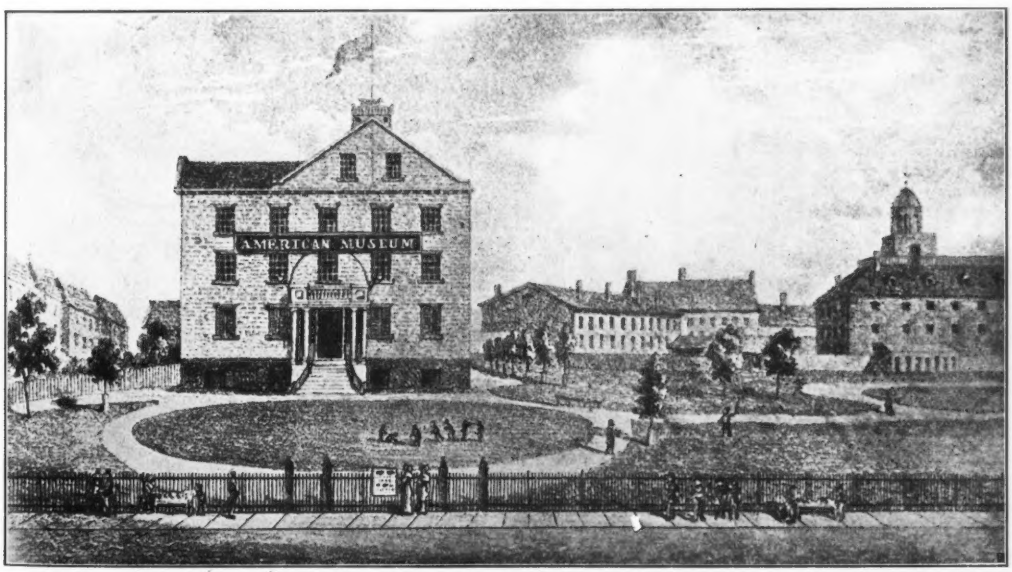
	1915	Change for the Year
New England	$1,571,917,283	+$28,795,758
Eastern States	2,262,557,862	+8,820,611
Southern States	89,601,167	—7,999,314
Middle States	546,697,118	+16,998,752
Western States	17,499,602	+5,573,121
Pacific States	509,432,979	+8,925,234
	$4,997,706,013	+$61,114,164

One Hundred Years of Savings

It is manifestly appropriate that the American Bankers Association celebrate the completion of one hundred years of savings banking in America by conducting a far-reaching campaign of Thrift.

Primarily, the savings banks were organized to ameliorate the condition of poverty which existed one hundred years ago. Societies and philanthropists saw that something must be done, some remedy must be used to stem the tide of poverty and beggary. The thrifty Franklin included in his will the provision by which £1000 was given to Boston and another £1000 to Philadelphia, to be held by trustees, which sums he directed to be "let out on interest at 5 per cent. per annum to young married artificers under the age of twenty-five years." These cities accepted the sums and they have been wisely used. This may have been in retaliation of what Malthus wrote in his "Essay on Population" with regard to savings banks, "By giving to each individual the full and entire benefit of his own industry and prudence, they are calculated greatly to strengthen the lessons of Nature and Providence, and a young man who had been saving from fourteen or fifteen with a view to marriage at four or five and twenty, or perhaps much earlier, would probably be induced to wait two or three years longer if the times were unfavorable."

It was not until six years after the organization of Dr. Duncan's bank in Ruthwell, Scotland, that the savings bank idea came to America. James Savage in Boston, Thomas Eddy in New York and Condy Raguet in Philadelphia each received pamphlets and publications from England which referred to the movement in that country. Each one became a promoter of a savings bank for his city, and, as a consequence, in Philadelphia, the Philadelphia Savings Fund Society was organized, and commenced the business of receiving deposits December 2, 1816, and was incorporated February 25, 1819; in Boston, The Provident Institution for Savings was incorporated and commenced business December 13, 1816;



BANK FOR SAVINGS, BLEECKER STREET, NEW YORK CITY, OPENED JULY 3, 1819

in New York, mainly on account of the difficulty in securing permission from the State Legislature, The Bank for Savings did not commence business until July 3, 1819. As evidence of the demand for the bank in New York City, at the end of a period of six months there had been deposited in the Bank for Savings, by 1,527 depositors, the sum of $153,378.31.

Philadelphia Savings Fund Society

The Philadelphia Savings Fund Society to-day has the largest number of depositors of any savings bank in the United States, and ranks second as to the amount deposited. It has grown to enormous proportions in the past thirty years. From 112,314 depositors and $27,110,714.59 on deposit in 1887, there has been an increase to 284,846 depositors with $125,522,321.59 deposited in 1916. The following tables give some idea of the volume of business the Society did last year:

Number and Amount of Deposits Received and Paid During 1915

Months	Number	Receipts	Number	Payments
January	37,970	$2,741,653.80	18,392	$2,041,573.03
February	30,268	1,949,712.48	15,658	1,915,796.40
March	34,335	2,256,593.57	19,064	2,363,519.12
April	37,573	2,403,429.34	19,609	2,483,680.51
May	32,510	2,149,246.56	18,537	2,477,627.49
June	33,459	2,173,571.66	18,208	2,390,141.66
July	30,004	2,045,198.08	17,511	1,957,606.19
August	29,755	1,882,684.50	18,306	2,071,483.84
September	30,018	1,936,352.35	16,013	1,976,619.81
October	30,939	2,003,848.68	15,994	2,281,733.43
November	31,294	2,163,508.83	15,452	2,111,833.83
December	31,937	2,224,248.23	17,513	1,899,518.40
Totals	390,062	$25,930,048.08	210,257	$25,971,133.71

Average Receipts and Payments of Deposits

Years	Receipts	Payments	Years	Receipts	Payments
1886	$49.52	$105.40	1901	$44.82	$89.78
1887	48.70	102.99	1902	44.36	95.54
1888	48.54	101.02	1903	45.77	102.10
1889	48.43	102.33	1904	52.52	99.86
1890	48.82	111.71	1905	53.39	111.27
1891	50.29	100.32	1906	55.49	123.39
1892	48.10	97.84	1907	65.52	113.93
1893	50.88	97.24	1908	60.49	103.50
1894	49.36	84.49	1909	58.44	112.69
1895	46.82	89.26	1910	58.88	120.72
1896	45.95	86.84	1911	60.46	121.19
1897	44.04	79.37	1912	62.65	123.80
1898	50.57	86.37	1913	63.50	130.83
1899	47.03	89.53	1914	68.73	122.07
1900	44.52	87.29	1915	66.47	123.52

The investments of the Philadelphia Savings Fund Society are all of the very highest class. They consist of 260 different kinds of bonds, amounting to: Railroad, $82,674,370; Public, $35,331,070.56 par value; Bonds and Mortgages, $14,669,085.53; Real Estate, $155,000.00 and Cash $7,477,777.80, making a total of $137,749,487.66. The bank's surplus or contingent fund amounts to $12,227,166.07. The present rate of interest to depositors is 3.65 per cent. per annum.

Provident Institution for Savings

The Provident Institution for Savings in Boston by the end of 1816 had 961 accounts and $76,000 on deposit, by January, 1822, it had accumulated deposits of over $600,000. Ten years later they amounted to $1,442,000. According to the report of the Commissioner of Banking in 1915, the institution had on deposit $54,764,880.27, belonging to 104,108 depositors.

It may be interesting to note the aggregate deposits and number of depositors at the present time in the following three states:

In Massachusetts 2,309,008 depositors have $899,279,596 on deposit in 195 savings banks. Pennsylvania, with only eleven savings banks, seven of which are in Philadelphia, has savings deposits aggregating $242,575,384.94. Of this amount the Philadelphia Savings Fund Society has $137,749,487.66; the Dollar Savings Bank of Pittsburgh, $34,379,915.43; the Western Savings Fund Society of Philadelphia, $37,975,373.91. New York State seems to lead with 140 savings banks, with $1,930,596,230 on deposit and 3,202,659 depositors.

It was in a spirit of benevolence that the savings institution was established. The first paragraph of the first circular issued by the Provident Institution for Savings read as follows: "The design of this institution is to afford to those who are desirous of saving their money, but who have not acquired sufficient to purchase a share in the banks or a sum in the public stocks, the means of employing their money to advantage without running the risk of losing it, as they are too frequently exposed to do by lending it to individuals who either fail or defraud them. It is intended to encourage the industrious and prudent, and to induce those who have not hitherto been such to lessen their unnecessary expenses and to save and lay by something for a period of life when they will be less able to earn a support."

The first five savings banks in this country, in the order of their incorporation, were:

Philadelphia Savings Fund Society.

The Provident Institution for Savings.

The Salem (Mass.) Savings Bank, incorporated January 29, 1818.

The following statement shows the growth of this institution since its organization:

Year	Depositors	Deposits
October, 1818	184	*$26,254.00
April, 1838	2,725	419,054.70
April, 1848	5,666	1,017,113.99
April, 1858	8,734	1,776,869.88
April, 1868	12,364	3,192,183.70
April, 1878	15,521	6,118,644.03
April, 1888	16,676	6,779,793.65
April, 1908	16,845	7,987,616.98
April, 1915	20,948	10,505,826.02

* Six months after organization.

Total of dividends paid to January, 1916, $16,599,043.99.

The Savings Bank of Baltimore was chartered in December, 1818. The accompanying illustration is a copy of the first circular issued by this bank.

The Bank for Savings in the City of New York was incorporated March 26, 1819.

Growth of Savings Banks

The growth of the mutual savings bank, which is operated entirely for the benefit of its depositors, did not extend much further than the New England and Eastern States. This was largely on account of the lack of sufficient inducement in other sections of the country. However, this inducement was furnished through organizing savings banks with capital stock which have grown from twenty-seven in 1875 to 1,516 in 1915. While these stock banks are more numerous than the mutual savings banks, yet they have, in a measure, been quite a factor in the encouragement of the savings habit. A large proportion of them do a commercial business as well as ordinary savings banking. Except in the states where there are laws providing for a certain class of investment for savings deposits in stock and commercial banks, so far as investments are concerned these savings deposits are treated the same as ordinary commercial deposits.

Savings in National Banks

Although a few of the national banks had had savings departments in 1903, there was considerable apprehension on the part of many as to the legality of accepting savings deposits.

During that year Comptroller of the Currency Ridgely gave an official opinion in answer to a request from a western banker relative to whether a national bank could legally operate a savings department: "In reply to your letter relative to the right of a national bank to operate a savings department, you are respectfully informed that there does not appear to be anything in the National Bank Act which authorizes or prohibits the operation of a savings department by a national bank.

"Many national banks pay interest on deposits, the receipt of such deposits being evidenced either by entries in the pass books of the depositors or by issue of certificate of deposit, as may be preferred. Deposits of this character must be shown in the reports of the bank, and loaned in the manner provided by the National Bank Act. This would prevent a national bank from accepting real estate collaterals which are deemed judicious for savings banks. All deposits, however, in a national bank are payable on demand, except when made the subject of special contract, but the right of a bank to make a contract of that nature is a matter for judicial determination.

"The expediency of a national banking association, organized for the purpose of doing a business of discount and deposit, engaging in the business of a savings bank is one for consideration and determination by the board of directors."

THE
SAVINGS BANK
OF BATMORE,

Open every Monday from 11 until 2 o'clock,
AT No. 100, MARKET-STREET.

THIS Institution is founded to promote Œconomy, and the practice of saving among the poor and labouring classes of the community, and to assist them in the accumulation of property, that they may possess the means of support during sickness or old age. The success of similar Institutions in Europe and in our own Country, induces the Directors of the Savings Bank of Baltimore, to hope for the individual and united exertions of their fellow-citizens, in support of a measure so beneficial in its effects. Their plan is to afford a secure and profitable mode of Investment for small sums (returnable at the will of the Depositor on a short notice,) to Mechanics, Labourers, Hirelings and others; and to such individuals, this association holds out the offer of *disinterested friendly services.*

Pastors of Religious Congregations, Preceptors of Schools, Heads of Families, Masters of Vessels, Master Mechanics, Guardians of Orphans, and the Friend of the Widow, are respectfully solicited to become active agents, in promoting and recommending the purposes of the Bank. The Mechanick, the Labourer, the Sea-faring Man, the Apprentice, Male and Female Domestick, and the industrious poor of every description are earnestly invited to trust their little savings to the management of those who are willing to take care of them, and pay them their interest every Six Months; and the Directors pledge themselves that the confidence which they invite shall never be violated.

PRESENT DIRECTORS OF THE SAVINGS BANK OF BALTIMORE.

DANIEL HOWLAND, *President.*

Samuel I. Donaldson,	*Isaac Tyson,*	*Evan T. Ellicott,*
Fred. W. Brune,	*William Krebs,*	*William Hopkins,*
John Hoffman,	*John M'Kean,*	*William Steuart,*
W. R. Swift,	*Thomas W. Griffith.*	*Thomas Sheppard.*
Roswell L. Colt,	*William Child.*	*Richard Carroll,*
John Sinclair,	*Joseph Cushing,*	*Moses Sheppard,*
Alexander Irvine,	*Henry Brice,*	*George S. Baker,*
Charles Warfield,	*Alexander Lorman,*	*John C. Richards.*

Hear what Dr. Franklin says on the subject of Saving.

"The way to Wealth is as plain as the way to Market. It depends chiefly on two words, *Industry* and *Frugality;* that is, waste neither *Time* nor *Money,* but make the best use of both. Without Industry and Frugality nothing will do, and with them every thing. He that gets all he can honestly, and saves all he gets, necessary expenses excepted, will certainly become *Rich,* if that Being who governs the world, to whom all should look for a blessing on their honest endeavours, doth not in his wise providence, otherwise determine."

Elsewhere it is said,

"Take care of the Pence, and the Pounds will take care of themselves."

Look at the following Tables, and see the amount produced by small and moderate savings in short periods of years.—

ONE DOLLAR a week deposited in the Savings Bank will amount to

In 1 year	$ 54	In 4 years	$229
2	109	5	290
3	167		

FOUR DOLLARS per Month will amount to

In 1 year	$ 49	In 6 years	$332
2	100	7	397
3	154	8	465
4	211	9	537
5	270	10	612

FIVE DOLLARS per Week will amount to

In 1 year	$270	In 4 years	$1147
2	549	5	1468
3	841		

☞ The Depositors may withdraw their Money at their pleasure, on giving a short notice.

J. Robinson, printer

A POSTER OF MARCH 18, 1888

banks or savings departments in commercial banks and trust companies. Such performances have a tendency to disrupt public confidence, which certainly has an effect upon all of the banks. The public is wholly unable to discriminate between the various classes of banking institutions. In a pamphlet recently published by a Massachusetts savings bank (mutual) on "The Truth About Savings Banks," it stated: "There are two great classes of savings banks in the United States—the genuine and the imitation. The real savings bank has no stockholders, is directed by men of experience and standing, is allowed by law to make but stipulated investments in the safest securities, and is required by law to be conducted solely in the interest of its depositors. This is the mutual savings bank, designed and operated entirely for the benefit of the people of small means. The near-savings bank is a stock proposition controlled by laws similar to those regulating state and private banks, and is organized to make money for its stockholders. To be able to pay interest to depositors equal to that paid by the mutual savings bank and at the same time to pay dividends to its stockholders, this type of savings bank *must* invest in securities giving greater returns than those designated by law for the mutual organization—hence it must take greater risks. Even without comparison with the other class of savings bank, the mutual institution stands far above the skyline as an investment opportunity open to those of limited means and it is our purpose to here acquaint the reader with its real value."

It is evidently assumed by the author of the above statement that the mutual savings bank is not in business for the purpose of merely encouraging the people to save, but an agency for the investment of funds deposited with it. This is, indeed, manifestly erroneous and falls far short of the real nature of a mutual savings bank. Such a bank had better first indict itself as an imitation rather than accuse an institution which is certainly in some respects supplying a great need and making good.

Protecting Savings Deposits

The stock savings bank is here to stay, as well as the savings departments in the commercial banks and trust companies. It would be far better to show the managers of these banks the desirability of safeguarding through the proper investments the small savings of the people. To antagonize them with an I-am-better-than-thou attitude will do more harm than good. There is no doubt that in the investment of these funds there should be a minimum amount of risk incurred. A number of states in the Union have adopted segregation laws; for example, those of Texas which read as follows:

"Section 13. All banks or banking and trust companies establishing or maintaining a savings department or using the word 'savings' shall keep all the moneys received as such savings deposits and the funds and securities in which the same may be invested, at all times segregated from and unmingled with the other moneys and funds of the bank or banking and trust company, and may invest not more than eighty-five per cent. of the total amount of such savings deposits in any of the following classes of securities, and not otherwise, to wit:

1. In bonds or interest-bearing notes or obligations of the United States or of those for which the faith of the United States is pledged for the payment of principal and interest.

2. In bonds of any city, county, town or school district or other subdivision of this state, now organized or which may hereafter be organized, and which is now or may hereafter be authorized to issue bonds under the Constitution and laws of this state, which has not defaulted in the payment of any part of either principal or interest thereof, within five years previous to making such investments.

3. In bonds of the state of Texas or of any state of the Union that has not within the last five years previous to making such investment defaulted in the payment of any part of either principal or interest thereof.

4. In the first mortgage bonds of any steam or electric railroad, the income of which is sufficient to pay all operating expenses and fixed charges, which has its domicile in the state.

5. In bonds or notes secured by first mortgage, deed of trust or other valid liens on unincumbered improved real estate to run for a term of not longer than ten years, situated in the state, worth twice the amount loaned thereon, such bond or notes to be always accompanied by a complete abstract of title to the property mortgaged and an attorney's certificate or title insurance policy in some company incorporated under the laws of this state, certifying said bonds or notes to be the first lien on the land mortgaged."

Duty of Managers

"It shall be the duty of the directors of such bank or banking and trust company, as soon as practicable, to invest the moneys in funds of such savings department, by purchase or otherwise, in the securities above described, and from time to time to sell and re-invest the proceeds of such investments, but for the purpose of meeting current demands in excess of the receipt, any of the securities may be sold, or taken up and replaced in cash by the bank or banking and trust company out of its general fund, and there shall be kept on hand at all times not less than fifteen per cent. of the whole amount of such deposits in actual cash, in such savings departments.

"It shall be unlawful for any director or officer of any bank or banking and trust company which shall establish to maintain or continue to maintain a savings department or which shall use the word 'savings,' to borrow any of the funds belonging to such savings department, or to in any way be an obligor for moneys loaned by or borrow of such savings department, or to receive or accept, directly or indirectly, any commission, brokerage or other valuable thing or favor of any kind by reason or on account of any loan or investment made out of the funds of such savings department, or to

sell to such savings department any security or other investment, or wilfully and knowingly do or perform any act or transaction by or as a result of, which at any time the assets of such savings department, including cash, shall not at least equal in amount the deposits in such savings department at least fifteen per cent. of which shall be in actual cash in such savings department."

Principles of Investment

It may be ridiculous to assert that at this time the New York laws, which provide in a strict manner for the investment of the funds and the supervision of savings banks in that state, be made uniform throughout the country. However, taking into consideration the secure and safe basis New York mutual savings banks are on with relation to their investments, and the successful way in which the banks have been administered under such laws, they would certainly be at least desirable as a foundation for investment laws of other states.

The cardinal principles that should govern the investment of savings deposits are:

1. Security, as absolute as human judgment can determine.
2. The first being assured, then the security yielding a larger income.
3. Availability, so that in case of necessity the security can be disposed of without needless sacrifice.*

Or as someone else has stated:

1. Savings bank loans and investments must be as safe as consistent with practicability.
2. They should bear as large a return of interest as possible, but only as a secondary consideration to the paramount necessity of safety.
3. As far as possible they should be local in so far that they should be the means of helping those who themselves are supporting the bank.

No cast-iron rules may be stated except as mentioned above, but it must not be lost sight of that it is universally held that corporate security usually offers greater safety than mere personal promises, however good.†

Official List of Market Values

It was provided in the revision of the New York Banking Law in 1914, Section 52, that the superintendent furnish the savings banks on or before the first of January in each year a list containing the names of states, municipalities and railroads, the bonds of which, in his judgment, if legally issued and properly executed, conform to the requirements of the section of the law which relates to investments for savings banks. In a letter which Superintendent Richards wrote to the banks he stated: "It is not, however, the purpose of Section 52 of the banking law to furnish an infallible guide with reference to the investments of savings banks. This section is designed solely to protect the trustees of savings banks from the result of having made an illegal investment on account of the extreme difficulty of determining the legality of such investments, as it would practically require omniscience to enable them to determine whether or not the bonds of the municipalities and railroad corporations did comply with the statute on the day on which the investment was made. This list has therefore been prepared only with this end in view. It is not intended for the use of the general public and cannot serve as a guide for trustees or investors generally. The cost of preparing and printing the list will be assessed upon the savings banks and sufficient copies have not therefore been printed to enable us to make a general distribution of these pamphlets, even if it were desirable.

"Notwithstanding the fact that the list is the result of much labor and careful investigation, it is not assumed that it contains the names of all bonds which are legal investments for savings banks, and it is quite possible that, owing to changed conditions since the last data with reference to some municipalities and railroads were obtained, some of the bonds believed to be legal at the time the list was prepared may not even at the present time be legal investments."

It seems that the New York laws so far as the investments of savings banks are concerned have surrounded these mutual institutions with adequate safeguards.

Safeguards for One Perhaps Not Good for the Other

To provide such safeguards for all savings deposits in the country may not be possible for some time to come. Moreover, it would be extremely difficult to adjust the investments for this class of deposits without considerable education. As a matter of good banking these safeguards should be applied. In the middle west where there are 1002 stock savings banks, 4777 state banks and 364 loan and trust companies, most of which have savings departments, and only twenty-one mutual savings banks, in all probabilities the question of proper safeguards for savings deposits will come up for early solution.

At the convention of the Ohio Bankers Association in 1914, a plan was suggested as follows:

"The law should provide, first, for the organization of exclusive savings banks permitted to make deposit contracts of the general character outlined. Such banks should have capital at least equal in amount to that now prescribed for state banks, and should be required to increase their capital whenever their deposits reached a sum equal to, say, ten times their unimpaired capital and surplus. Or failing in this, to cease taking additional deposits. That is, they should be required to maintain a margin of unimpaired capital and surplus of at least ten per cent. of their deposits. I suggest ten per cent. because I believe such a figure would meet with general approval. These banks should be subject to the most rigid supervision by the state department. They should not be allowed to lend to their own officers, or to lend or invest more than ten per cent. of their unimpaired capital and surplus on or in any one name or investment. They should be sub-

*Andrew Mills, N. Y. Savings Bank Ass'n, 1907.
†William Hanhart, *Banking Law Journal*, April, 1906.

ject to no statutory restriction as to the maintenance of cash reserves, but the banking department should have the power to require them to carry small reserves. Though presumably they could be relied upon, as a matter of self-advancement and in order to insure popularity to carry such reserves as their particular situations might demand as building and loan associations do. They should not be allowed to borrow money except for liquidation purposes, unless specifically authorized by the banking department to do so. They should be allowed to make the same loans and investments now prescribed for savings banks.

"In addition the law should provide for segregated savings departments along those same general lines in other state banks. These departments should be completely segregated and enough of the capital stock of the institutions of which they were parts to equal the ten per cent. of deposits required in exclusive institutions, should be set aside for the exclusive protection of the savings deposits. Otherwise the regulations covering the exclusive institutions should be the same for these segregated departments."*

Safe Investments Question of Policy

A number of banks in states where there are no laws for the safeguarding of savings deposits have established a policy whereby complete protection and sufficient liquidity of investments are secured. In a letter recently received from one of these bankers it was stated:

"Investments of a non-liquid character are, in the nature of the savings bank business, inevitable, but the disadvantage may be largely overcome by a careful selection of maturities. For instance, it is the policy of our bank to invest a certain portion of our funds in short date securities, such as serial municipal bonds or railroad equipment obligations; this policy supplies us with a large amount of cash every year amounting to about five per cent. of our resources; in addition we aim to have on hand usually about six per cent. in cash, and with an income of approximately five per cent. of our resources we have, as you will note, a fairly large percentage of money coming in every year. It has also been the policy of our institution to carry a large block of United States bonds—at present we have nearly seven per cent. of our resources thus invested in the fours of 1925; these holdings through the circulation privilege which they still enjoy, would supply us quickly with an amount of currency equivalent to their face value by loaning or selling them to the national banks with which we do business; to this may be added the mortgage loan liquidations, which often amount to four per cent. or five per cent. of the total amount of mortgage loans. In these several items we have a comfortable percentage of liquid assets—approximately twenty-five per cent. of our deposits—which we have found sufficient for all past emergencies; besides, it should be the policy of all savings banks to have such a high character of railroad and municipal bonds as will command a market at any time with the minimum sacrifice. Most of our mutual savings banks are so circumstanced as to be able to follow similar policies, except where state laws forbid investments in railroad equipment obligations."

Future of Savings Banks

If space would allow, an interesting discussion may be had with relation to the future of savings banking in the United States. Such questions as—whether capitalized savings banks with adequate safeguards in their investments would supersede the mutual savings bank; whether savings banks should establish branches and sub-branches on a large scale so as to make it possible for the wage-earner to more easily save his money; whether the Postal Savings System should be extended; the desirability of municipal savings banks for the sale of municipal bonds, thereby eliminating the middleman's profits and a consequent saving to the municipality; the question of the creation of Federal legislation and establishing savings departments for Federal banks, would certainly be both vital and timely.

Only a few months ago a plan for a municipal savings bank was offered by Adolph Lewisohn. The plan provided that the city establish offices of deposit—probably branches of the Bureau of City Treasury in the Department of Finance or of some similar bureau which might be created in that Department—for the purpose of receiving deposits from persons desiring to invest their savings in the city's credit; that depositors receive scrip or other evidence of the city's obligation to return the deposits; that the return of the deposits be secured either by the general credit of the city or by the pledge of city bonds with some board or other official agency duly authorized; that the city have the use of the funds on deposit for purposes for which it might use the proceeds of corporate stock or other city bonds; that the city pay from two and one-half per cent. to three and one-half per cent. (varying according to money market and other conditions), interest on deposits and redeem the scrip or repay the deposit on thirty or sixty days' notice, or on demand; the city in that case, however, reserving the right to require such thirty or sixty days' notice; that depositors of ($100) or more have the right to convert their scrip into city bonds issued directly to them.

Rural Credits

And again a bill was recently introduced in both the Senate and the House of Representatives, the title of which was: "To provide capital for agricultural development, to create a standard form of investment based upon farm mortgage, to equalize rates of interest upon farm loans, to furnish a market for United States bonds, to create government depositories and financial agents for the United States, and for other purposes."

Section 18 provided a savings department for the Federal Land Banks, which would be created if this bill became a law. The section is as follows:

That the Federal Farm Loan Board is authorized and empowered to permit any Federal Land Bank to establish a savings department for receiving time deposits

*A. F. Adams, president First National Bank, Youngstown, Ohio.

on which interest may be paid. The books, funds, earnings and reserves of said savings department shall be kept separate. The capital of said land bank shall not be available for any debts or obligations of said savings department as long as any farm loan bonds issued by said bank are outstanding and unsatisfied. Said savings department shall contribute to the general expenses of said bank its proportionate share, based upon the amount of farm loan bonds and time deposits outstanding in the separate departments of said bank.

Every savings or time deposit shall be subject to not less than thirty days' notice before the whole or any part of the same is paid or withdrawn, but no land bank shall be obliged to avail itself of such notice when payment or withdrawal is requested.

Each Federal Land Bank shall maintain a reserve of at least five percentum of all time or savings deposits received by it, said reserve to be in cash or invested so as to be quickly available, under rules and regulations prescribed by the Federal Farm Loan Board. The remaining ninety-five per cent. of such deposits may be invested as follows:

A. In first mortgages on farm lands within the district for a term not exceeding five years, subject to be called on sixty days' notice at any time after one year, said mortgages to be subject to the restrictions imposed and conditions provided under Sections 12 and 20 of this Act, except as to term and amortization.

B. In United States Government bonds, or farm loan bonds issued under this Act.

C. In such securities as the Federal Farm Loan Board may prescribe. Preference shall be given to the first mortgages above described.

Interest on time or savings deposits shall in no case exceed the current rate on bonds issued by the land bank receiving such deposit, and any agreement for a higher rate of interest shall invalid. Time or savings deposits may be received from any person, firm or corporation, subject to rules and regulations prescribed by the Federal Farm Loan Board. Each depositor may receive a deposit book, on which all deposits and withdrawals shall be entered, or the deposit may be evidenced by a certificate which shall specify the rate of interest to be paid and the notice of withdrawal required.

Every national farm loan association shall by its Secretary-Treasurer receive and pay out time or savings deposits as agent for the Federal Land Bank of the district, and said Secretary-Treasurer shall forthwith forward any deposit so received in said land bank. Farm loan associations receiving and forwarding or paying out deposits as aforesaid, shall receive such compensation therefor as the Federal Farm Loan Board shall fix.

All net earnings of savings departments shall be carried to surplus account and invested according to rules and regulations prescribed by the Federal Farm Loan Board.

It is quite apparent from the above that it is becoming more necessary than ever that such plans and legislation be constantly watched, if only for the protection and preservation of our established institutions.

Conclusion

To conclude—the enormous amount of capital which we have in the United States in our savings institutions can be greatly increased in the measure that thrift is encouraged; that the beginning of a second century of savings banking in the United States should open up an era of greater service to the people; that such service depends in the main upon the safety of the investments of savings funds, because the confidence of the public naturally follows; that it seems essential for savings bankers to make a study at this time of the future of their business to insure future protection.

INSTITUTE CONVENTION, SEPTEMBER 20th, 21st AND 22d

Announcement is made that the annual convention of the American Institute of Banking will be held September 20th, 21st and 22d, at Cincinnati, Ohio. The American Bankers Association will convene September 25th at Kansas City. Such dates will enable visiting bankers to attend both conventions.

JUDGE GARY'S MAXIMS

First—A young man should be thoroughly honest, frank and sincere. When he says anything he should tell the truth.

Second—He should be considerate of the interests of others. Of course he should seek to protect and promote his own interests, but never to the undue or unfair prejudice of others. This he will find wise from the standpoint of good morals and good business.

Third—He should have a good education. First of all, he should be educated in the fundamentals, including particularly grammar, rhetoric, spelling, arithmetic, geography and history. The more he knows in other lines, including the classics, so much the better.

Fourth—He should be consistent and careful in looking after his health, both physically and morally.

Fifth—He should be ambitious to succeed in every respect that is honorable. He should be energetic, persistent, studious, thoughtful and faithful to all the interests he represents.

Sixth—The young man should be patriotic and loyal to his own country; but he should avoid any feeling or disposition of hostility toward people of any other country or nation, save only for the purpose of self-defense.

Seventh—Finally, and above everything else, he should adopt as his religion the Golden Rule and practice it, whatever may be his vocation.

INSTITUTE CHAPTERGRAMS

ACTIVITIES OF CHAPTERS

Higher Standard of Work

According to reports to president Robert H. Bean, Chapter activities throughout the country have now reached their height. With the largest number on record enrolled, a higher standard of study being followed, and greater enthusiasm than ever being manifested, it would seem that this should be the most prosperous year that the Institute has ever experienced.

EDUCATIONAL—Under the head of educational, which is the primary object of the Institute, it shows that greater interest than ever is being shown in the study course. Instruction in the standard course of the Institute, which comprises banking and law, is being given by practically every Chapter in the country. Some of the larger Chapters are also conducting special classes in economics and banking history, accounting, investments, business English, public speaking, foreign exchange, Spanish, credit and bank advertising, holding sessions five nights a week with two and three periods each night. Boston, Buffalo and Chicago Chapters report that the classes in elementary banking have been unusually successful, it being considered one of the best courses ever provided, and indicates that the tendency is to provide classes for the younger bank men who are taking advantage of it. Kansas City and Providence state that their classes are being conducted on school-room methods, and attribute a great measure of their success to the adoption of this plan. In New York an attempt is being made to give individual instruction to each member, and to help accomplish this the classes are divided into groups of twelve or fifteen students, each group in charge of a graduate.

ENTERTAINMENT—Being purely educational, not all of the Chapters have entertainment features in connection with their work. Some, however, have set aside one night each month when an address of a semi-business nature is made by some prominent man, or a musical program is rendered, or a smoker is held and refreshments served. Adding-machine contests are held at some of the Chapters, while once or twice during the season theater parties and dances are given. It is also the almost universal custom for a banquet to be held each year by the different Chapters.

FINANCIAL—Some of the Chapters report their financial affairs in very good shape, they being entirely self-supporting. Chicago Chapter has, for instance, an endowment which supports the Chapter without asking for outside assistance. Other Chapters find it necessary to receive aid from the banks or clearing houses in their cities, while still others, by making a small charge for classes in addition to dues secure enough money in that manner to meet expenses.

PUBLIC AFFAIRS—Fully 50 per cent. of the Chapters state that their public affairs committees are very active in co-operating with the savings bank thrift campaign and furnishing speakers for various public meetings for the education of the public along general banking lines.

ALBANY

By J. Raymond Roos

Active work in connection with the "Thrift Campaign" of the Savings Bank Section commenced by the appointment of the following committee: Jacob H. Herzog, vice-president of the National Commercial Bank, chairman; Alonzo P. Adams, Jr., vice-president and secretary Albany Trust Company; H. A. Arnold, vice-president and cashier First National Bank; Ledyard Cogswell, Jr., vice-president N. Y. State National Bank; MacNaughton Miller, secretary and treasurer Union Trust Co.; Robert Olcott, assistant cashier Mechanics and Farmers Bank; W. C. Feathers, cashier treasurer National Savings Manufacturers National Bank of Troy, N. Y.; Frederick B. Stevens, treasurer National Savings Bank; Henry D. Rodgers, treasurer Albany Savings Bank; Wm. Davison, Y. M. C. A.; Godfrey J. Smith, John C. O'Byrne, Frank E. Sheary, Mills Ten Eyck, Halsey W. Snow, Jr., Clifford Beckett, George Wilkinson, Edward Corrie, Thomas V. Wilkinson, A. J. Riegel and J. Raymond Roos. Arrangements are being made to hold noonday thrift talks at the various industrial plants in the capitol district. A Sunday in March will be designated as "Thrift Sunday" and every preacher will be asked to co-operate with us on this date.

The thrift campaign in the schools was started January 13th when James H. Manning, former mayor of Albany and now president of the National Savings Bank, laid before the monthly meeting of the school principals a school savings bank system. Mr. Manning told the principals the plan provided each principal should be the school banker and give to each child a miniature bank-book. Under the supervision of the teachers the children will be taught to do a savings bank business, books for tellers being provided just like those used in a real bank. The children each day will deposit pennies or nickels or whatever sum they wish and they will be credited on their own bank-books and in the tellers' book. The principal will keep the money and, when the child's book shows deposits amounting to one dollar, the account in the school bank will be closed and the pupil will be given a green bond which, when presented to the local savings banks will be good to open a real account to grow as the years pass. Dr. C. Edward Jones, superintendent of schools, endorsed the thrift plan and John A. Naughton, principal of school 15, said, the south end of the city would jump at the idea. In an editorial the *Knickerbocker Press* very strongly states that every thinking person should endorse this movement.

The law course has the largest enrollment with Corporation Finance running a close second. The average attendance at both classes is thirty-four.

Attorney Frederick W. Cameron was our honor guest, January 21st, and the principal speaker. His subject was "Patents." Mr. Cameron, in his address, said in part: "A patent is the grant by a government to the author of a new and useful invention, or to his assigns, of the exclusive right of exploiting the invention for a specified term of years." As regarded in the United States, a patent more clearly resembles a contract, which under constitutional authority, Congress authorizes to be entered into between the government and the inventor, securing to him for a limited time the exclusive enjoyment of the practice of his invention in consideration of the disclosures of his secret to the public, and his relinquishment of his invention to the public at the end of the term.

"In the United States there are four classes of invention which may be subject to patents: (1) an art; (2) a machine; (3) a manufacture; and (4) a composition of matter. The term invention ordinarily stands for something that is originated; the art or process of finding out something new; the contriving of something useful, which did not exist and was not known before. Every discovery is not a patentable invention, even though in the United States statute the word 'discovered' is used as signifying the finding out of some new thing. Discovery, commonly, is as well applied to the finding out of any old thing as of a new one; while invention in patent law relates especially to absolute origination.

"In the United States on any question effecting the validity or infringement of letters patent, the Federal courts have exclusive jurisdiction. The state courts have exclusive jurisdiction over questions arising out of contracts made concerning patent rights or inventions, when there is no other source of Federal jurisdiction involved and also of torts not involving the infringement or validity of the patent.

"A trade-mark has been linked to a man's business autograph. Just as one places his signature to commercial paper, making it an assurance to others that he executed it, so his selection and adoption of a trade-mark is indication of the excellent reputation of the manufacture upon which he placed his symbol or device as a trade-mark."

ATLANTA

By J. J. Miller

At our first meeting of the new year, Tuesday, January 4th, we had quite a large gathering to hear Mr. Parker deliver his lecture on the law course. On the night of the 11th the papers on credits were read. These papers were scheduled for our last meeting in December, but due to several extras, were postponed until our first off night in January. Three excellent papers were prepared, and this most important subject was handled in a creditable manner.

Within the next few weeks Atlanta Chapter will hold her first debate. The subject and the speaker have not yet been announced. We expect to develop some good talent along this line in these inter chapter debates, and it all depends upon the success we have as to whether or not we will challenge some of our sister chapters.

The Thrift Campaign is well under way in Atlanta. Though we have not yet formulated any definite plans, the committee now has under consideration any number of suggestions and will within the next week decide upon the course Atlanta Chapter will pursue in this campaign. From interest manifested so far in this campaign, we feel that it will meet with great success. Atlanta Chapter will not be alone in conducting this campaign in Atlanta. The leading business men of the city will be with us.

BOSTON

By Thornton O. M. Fay

C. D. Williamson, of the Bureau of Commercial Economics at Washington, delivered an instructive and interesting lecture on "The Grand Canyon of Arizona and the Indians of the Painted Desert" on Wednesday, December 29th, at Lorimer Hall. Mr. Williamson spent fifteen years in the desert and his pictures of the Hopi Indians and the Grand Canyon made us forget banks and balances.

Boston Chapter's membership is now 819.

Monday, January 10th, was press night, with dinner and speaking and fun at the American House. The affair was heralded by a miniature newspaper composed and printed by some of the cleverest of Boston's newspapermen at the suggestion and under the guidance of Mr. George S. F. Bartlett, publicity chairman. The first course, according to the ticket, "went to press" at 5.45. The dinner was good; and with good speaking, piano playing and singing, in which all joined at times, press night was celebrated. The first speaker, Anthony J. Philpott of the *Globe*, was introduced by President Robert B. Locke, toastmaster. Mr. Philpott told about his early experiences as a newspaperman and urged a better understanding between bank men and newspapermen, adding, "You gentlemen do not know what you've missed by not being more intimate with newspapermen." Norman Ritchie, the *Post* cartoonist, was as artful in his witty descriptions of the great men whom he has cartooned as he was in his ambidextrous portrayals of their well-known faces. Albert J. Gordon, of the *Boston Advertiser*, recounted his experiences in the secret service, and pointed out that it was often the most trivial fact that brought conviction. Prof. George H. Bartlett, twenty-six years principal of the Massachusetts Normal Art School, in his presentation of mean things in metropolitan London fifty-two years ago made one think of Dickens by the pathos and reality of his narration. Professor Bartlett's resolution, taken so long ago, not to prostitute his talents for gain, has been a great benefit to a generation of Boston's youth. George S. F. Bartlett, who planned the dinner with such good taste and ability, and whom the newspapermen attest will never take no for an answer, is a son of Professor Bartlett. The laugh of the evening was Charles E. Butterworth of the *Journal* and Charles E. Lamb in their satire "Secretary

O'Brien," on ex-Secretary of State Bryan. With dove's eggs in his hair, Butterworth proclaimed that he believed in peace at any price, but that he must have the price. His secretary, Boston's well-known little man, arrived with a dictionary, a cage with a dove in it, and an attendant brought in a cash register. The whole thing was carried out a la Chautauqua and created much fun. Charles E. Lamb in his cabaret concert on the jew's-harp and Walter L. Tougas of the Ancients with his accumulative song "Alouette" were the fun features of press night.

The practical banking talks began January 14th with a talk on "Receiving and Check Tellers' Departments" by Charles L. Odell, manager of the transit department of the National Shawmut Bank. January 21st "The Paying Tellers' Department" was described by Frank W. Bryant, of the Second National Bank. There is not much of theory, not much of books, in these talks. They are statements of how the work in each department is done by those who do it. These talks are of inestimable value to the younger Chapter men. There is no one so old or so educated that he cannot find something to learn from the experience of his fellows. The subsequent talks are as follows: January 28th, "Collection Clerk and Note Tellers' Departments"; February 4th, "Coupon Tellers' Department"; February 11th, "Bookkeeping and Accounting Departments"; February 18th, "Discount and Loan Clerks' Departments"; February 25th, "Credit Departments"; March 3d, "Trust Departments"; March 10th, "Corporation Departments"; March 17th, "Savings Banks."

The Post-graduate Committee has arranged for the graduates, of whom there are about a hundred, a series of meetings, one to be held every two weeks. These meetings will be conducted under competent leadership, and ample opportunity will be given for free discussion and the asking of questions. The first meeting will be devoted to the discussion of certain phases of the Federal reserve system. In March a meeting of Boston Chapter will be held to encourage public speaking. To make things interesting, a prize will be given to the most competent speaker. A number of applications for membership in our Chapter are being received. With its increasing numbers Boston Chapter looks forward with ever-growing interest to its opportunities and possibilities for service, to the A. I. B. and to the banks; to Boston, to Massachusetts and to the nation.

The date of the annual dinner has been set for Friday, February 25th. The announcement of the speakers for the evening cannot be made just yet, with this exception: that we are very glad to say Prof. Alfred Bushnell Hart will be one of them.

An examination in commercial law and the laws of negotiable instruments will be held some time soon. Those only are eligible who qualified in Professor Newton's law course and who did not receive the Institute credit. That is, men who took the first examination and did not pass it, or those who attended a sufficient number of lectures (50 per cent.) and did not take the final examination.

The Committee on Public Affairs is devoting its efforts chiefly to the consideration of a campaign of thrift. How best to realize ex-President Dreher's vision of the A. I. B. as "one of the great factors for the good of our nation" is the problem. Volunteers are needed; men who know and who can tell what they know in a simple manner at any place where people are gathered together. To explain the economical management of property, to educate the ignorant, to encourage those who procrastinate, to penetrate the mystery which surrounds the banking business in the popular mind and to dispel the suspicions which that mystery has bred, to discourage the press in featuring bank robberies, both from within and without the bank, in exaggerated and damaging word-pictures, and the public from demanding these things in the moving pictures, all these things need to be done now. The school savings banks, for which twenty local savings banks have been designated by the school committee as official depositories and the fruits of the A. I. B. thrift endeavor should take care of the future. Thrift, like charity, should begin at home; and the A. I. B. men should set an example of wise frugality.

BALTIMORE

By Moses O'Sullivan

Baltimore Chapter's last open meetings on December 14th and January 13th, though widely divergent as to program, were each among the best offerings of the committee so far this season.

Our speakers for the meeting of December 14th were: Wm. S. Kies, vice-president of the National City Bank of New York and manager of the Foreign Branch Banking Department, and Dr. Joseph T. Suigewald, Jr., of Johns Hopkins University.

Mr. Kies began his talk by summarizing in a clear way present conditions at home and abroad and then visualized for us the probable future problems that must be solved for our country's need. After convincing us of the need of establishing foreign trade by this country, Mr. Kies spoke of South America and our prospects there. He told of some of the National City's plans and of the peculiar phases of that continent's trade and finance.

Dr. Joseph T. Suigewald, Jr., who has just completed an extended tour through South America, followed Mr. Kies and elaborated on the conditions of which Mr. Kies spoke. Dr. Suigewald, evidently a wonderful observer, was most entertaining and his talk was replete with amusing anecdote and helpful information.

From the keen interest displayed in the subjects discussed by these gentlemen, it is to be inferred that Baltimore bank men are awakened to the value of knowledge along these lines and will seek further sources of information thereon.

Our open meeting of January 13th was the annual "Ladies' Night." Lawrence D. Kitchell gave his famous travelogue lecture on "Glacier National Park and the Blackfeet Indians," illustrated by beautifully colored stereopticon views and wonderful motion pictures.

Other Chapter activities are flourishing. The class in commercial law has resumed its meetings after the holiday recess. The speakers of the Thrift Campaign are doing very good work. The Membership Committee reports over seventy-five new members enrolled.

BUFFALO

By Lawrence H. Geser

After having completed two months of steady work, the members of the study classes took a week's vacation during the holidays. All are again back working in earnest and, judging from the attendance at the law class, a large number will try the examination to be held in May. Wm. B. Frye has proved himself to be a very capable teacher, as he seems to possess the faculty of making the tiresome subject of law most interesting, and all look forward with pleasure to the evening on which this class meets each week.

The members of the advanced English class need no urging to keep at their studies and every one of them is present on class night to listen to the eloquent and interesting lectures delivered by Professor Martin of D'Youville College. At each session three members of the class deliver short prepared talks on current topics and directly after the talks Professor Martin briefly criticizes the speakers, often making his criticisms very humorous, but at the same time driving the points home.

Interest in the forum remains unabated. They have under consideration the advantages, if any, that have been given to banks in this locality through the powers granted by the Federal Reserve Act and the revised New York State banking law. The leader of the forum, James Rattray, first delivers a brief talk on the subject taken for consideration and then the members join in an informal discussion, each one presenting his views, and in this way a large amount of valuable information is collected.

The elementary banking class is conducted by four of the older members, and they have done well. The interest shown by the younger clerks bids fair to exceed all the expectations of the educational committee. This class is a new feature in our educational work and by all appearances is a permanent one.

We have laid a firm foundation for this year's educational work and during the remainder of the season have planned a few digressions in the way of informal dinners, industrial visits and monthly open meetings. The first monthly open meeting was held in our Chapter room January 19th and was well attended. E. J. Newell, vice-president of the Peoples Bank of this city and Buffalo Chapter's first president, delivered a brilliant address on "The Evolution of Business."

Mr. Newell began his address by saying: "People accept modern life as it is without any question as to what causes brought us to this plane of activity, so it is my desire to present to you the evolution of business, which is the interchange of our activity, to state what business is, how it grew, the complexity of it, its interdependence, what disturbs it and how and what deductions we can make as remedies." He stated that "All business is supplying, directly or indirectly, the needs and necessities or the luxuries and extravagances of mankind." He analyzed the factors which develop business, the principal one the desire of men for "a living." He traced the growth of a city, which typifies the growth of business, from the earliest settler to the present tremendous activities of the modern municipality, giving many new phases of the accessories to present-day living and the reason for their origin. He showed the development of activities to the highly sensitive conditions of to-day, the plane on which they are easily disturbed, and then gave the causes which disturb, among which are living too extravagantly, the realization of which bursts the bubble curtailment, simplyifying of methods of living follows, and reaction is under way. He elaborated upon reckless living, the pursuit of fads and fancies, and showed with unerring hand the trouble which followed.

"Our salvation,' said Mr. Hewell, "is the field produced by more people continually bettering their style of living, supplying luxuries for physical and mental enjoyment, but always within reason and with not too fast development. Too many people want to live by their wits and not by labor. A whole lot of the American people do not perspire enough. Americans should save more. In France it is said that, before the war, if a man made four francs he spent two and saved two. If an American makes four dollars he borrows two and spends six. If the price of an article be a dollar and an American has ninety cents, he does not wait until he earns the other ten cents; he gets trusted for it and buys."

"A proper and reasonable amount of pleasure and relaxation is not only desirable but necessary, but what I point to is over-indulgence in any line. I refer to those who cannot afford to do these things, but who, through the characteristics named at the beginning, will not deny themselves until they reach the point in the upward climb where it is proper for them to participate. Amusement, relaxation and extravagant dress and life are overemphasized and have become a craze, with periodic returns to sane living. There is a turning from one fad to another all the time, which gives the maker of the fad a fortune in his "get-away." This misleads those furnishing luxuries and extravagances to the belief that the condition will always prevail. They are a small proportion of the business men of the country, but make large profits, and that part of the income so diverted is taken away from those who supply necessities and fundamentals, who have had steady patronage in the past and provided for its continuance and who are not told that it is going to cease. They are a *large* proportion of the business men making *small* profits."

Mr. Newell offered as a remedy a sane, even-tempered, well-balanced, watchful, energetic life, economical and saving, that a reserve might be accumulated for each one, demanding good government and free and fair play for individual ability. Mr. Newell closed with a reference to present conditions of our country and an analysis of the probabilities and possibilities in store for us at the close of the war.

Three of our members have recently been honored. Harry G. Hoffman, president of Buffalo Chapter last year, left the employ of the M. & T. National Bank to accept a responsible position with the new Black Rock Bank, which opened for business on January 3d. Mr. Hoffman has well merited this promotion and we all wish him unlimited success in his new work. George R. Rodgers has been appointed assistant cashier of the Manufacturers & Traders National Bank of this city and Vincent Ragan has been made assistant cashier of the First National Bank of East Aurora.

CHICAGO

By Guy H. Cooke

For a number of years past, since the outlying banks have become a factor in the affairs of Chicago Chapter, the problem of keeping members in such banks informed of all activities has become a somewhat involved and serious matter. By the following official action, it is believed (and, in fact, is proving, though just inaugurated) that the somewhat isolated members in Chicago's hundred banks will come into close personal contact with authorized Chapter representatives:

"The board of directors of Chicago Chapter, Inc., under authority of the power granted to them in Section 8 of the By-Laws, hereby direct that a committee to be known as the Board of Consuls of Chicago Chapter, Inc., be established under the regulations hereinafter provided for, for the following purposes:

"(1) To provide the Chapter with a responsible representative in each bank who shall see to it that all the members in his institution are kept fully informed as to the activities of the Chapter and given reasonable encouragement to participate in them; and further to see that all non-members in his institution are informed of the purposes and methods of the American Institute of Banking and given reasonable encouragement to avail themselves of the opportunities it offers.

"(2) To provide the board of directors of Chicago Chapter with a direct channel of communication with all members.

"(3) To act as an advisory body to the board of directors both individually and collectively.

REGULATIONS COVERING THE ELECTION AND DUTIES OF CONSULS

"(1) The vice-president of Chicago Chapter shall be chairman of the board of consuls.

"(2) The members from each bank, savings institution, trust company or brokerage office, having members in Chicago Chapter, shall be entitled to be represented by one consul.

"(3) Consuls shall be elected by the members from the bank they are to represent.

"(a) Any member in good standing may be elected consul.

"(b) Elections shall be under the direction of the chairman of the Board of Consuls.

"(c) Every paid-up member shall be entitled to one vote.

"(d) Elections shall be held during the month of December, and the consuls shall hold office from the first of January following until the end of the year.

"(e) In the event of the death, resignation or ineligibility to serve of any consul the chairman of the Board of Consuls shall direct the election of a successor to serve the remainder of the year.

"(f) Consuls shall not be eligible to consecutive reelection.

"(4) The president of Chicago Chapter may remove any consul and order a new election in the bank he represented.

"(5) Consuls may appoint members to represent them at meetings of the Board of Consuls at which they are unable to be present. Consuls failing to appear or send representatives at two consecutive meetings may be removed by the chairman and a new election called in the banks they cease to represent."

At the January meeting the president announced the formation of a class in elementary banking, under his personal direction based on the Institute text-book. The course has every indication of unusual success and will afford the younger men an opportunity which has heretofore been lacking, as the banking and finance class apparently has been beyond the comprehension of many. This elementary work, it is hoped, will prove of great advantage in reducing the number of those dropping out from the upper classes in future years. In any event it forms a foundation for those ignorant of correct principles and is decidedly worth while.

At a recent preliminary debate H. Russell Ross, an old-time debater for Chicago, who was on the winning team at Indianapolis a decade ago, and has come back to the work, together with Jay Hays and H. K. Roney, were chosen to represent Chicago in the contest with Nashville. A debate with Milwaukee is also in prospect, but has not yet become an assured fact. Despite the defeats of recent years Chicago is still hopeful of bringing back the laurels of by-gone days when the Windy City star was in the ascendency.

The 1916 banquet fully satisfied the high expectations of our members and added another triumph to the credit of Chicago Chapter. There was a good attendance, including Messrs. George and Dupee of Cincinnati and a delegation from Milwaukee headed by Comrade Salantine. The Spalmer Orchestra, the Colonial Quartet and two Howard Chandler Christy soloists furnished the musical part of the program.

H. Parker Willis, secretary of the Federal Reserve Board, was the first speaker introduced by President Schroeder, his subject being "The Federal Reserve Act." Mr. Willis stated that he admired the A. I. B. for two reasons: first, because of its staunch support of the Federal Reserve Act; second, because of its practical and valuable educational functions.

"The ethics of banking," stated Mr. Willis, "are the most fully evolved which exist in the business world." The speaker added that the Federal Reserve Act was a high tribute to the bankers of this country. "It was an effort to apply to banking the best ethics of the banking

community. 'Rome was not built in a day.' This act requires time for its complete perfection."

Hon. Wm. J. Calhoun, former Ambassador to China, began his speech upon "The Foreign Banking Field as a Challenge to American Bankers" by claiming that he knew very little about banking and proving that he knew much. The speaker emphasized the fact that as our population increases the necessity for expansion becomes greater. Our present tendency now seems to be to increase our foreign trade relations, and in this movement the banker's position is one of vital importance. However, "the field for the American banker in China is a narrow one. Both Germany and England are firmly intrenched there and our only institution is the International Banking Corporation with its three branches."

The bank men of China are mostly Englishmen. They have mastered the intricacies of the Chinese exchange system, than which there is none more complicated, and seem to be able to withstand the strain upon character which the Orient imposes.

"No man ought to go to China," warned Mr. Calhoun, "unless he has the strength of character, the moral resolution, to protect himself against the insidious influences which will undermine. But America's destiny cannot be bound by our shore. May the influence of America be such as will command the respect of the whole world for the ideals that control America."

Other speakers upon the program were: Rev. Arthur J. Francis, Rev. J. Van Niece Bandy ("The Crucible of Loyalty") and J. W. O'Leary, president of the Chicago Association of Commerce.

Taken en masse, the speeches, while non-technical, contained much food for thought and a wealth of inspiration. Chicago Chapter can hardly hope to hold a banquet which more happily combines serious educational benefits with wholesome entertainment.

CORRESPONDENCE

By George E. Allen

President Hyde announces that an adjourned annual meeting of the members of the Correspondence Chapter, Incorporated, will be held at Briarcliff at the time of the meeting of the Executive Council of the American Bankers Association.

CINCINNATI

By William Beiser

"Co-operation" was the subject of a lecture delivered by J. L. Richey, secretary of the Credit Men's Association, at our meeting January 11th. He emphasized the necessity of co-operation in many ways by referring to the co-operation of parts of the human body, the formation of chemicals in the relation of matter to matter and to the system of the universe. The theory of co-operation is found in national laws. Where the efforts of an individual acting by himself may be weak, the combined efforts of individuals working through co-operation may be powerful and strong. His address was opportune because it impressed upon his auditors that the life of an organization depends upon the co-operation of the members. He referred to the organization of the National Association of Credit Men and to that co-operation which was so essential to the organization of the association. Where men were working in credit activity at cross purposes with each other and assisting each other more in misdirection than in proper direction in the handling of a credit risk, we have evidence of the weakness of individual service as compared with a co-operative service which is for the good of all and gives correct information and proper guidance. Co-operative service resulted in the improvement of individual service. Upon this theory the National Association of Credit Men was organized in New York in 1896. It was responsible for the legislation which is now known as the Bankruptcy Law. In this legislation evidence is found of the increased benefits through co-operation to all as compared with individual service to a few. When a debtor was in a failing condition, a few creditors with an intimate knowledge of affairs could protect themselves to the disadvantage of many who were not familiar with the details of insolvent condition. Now, the many, through co-operation, may have an insolvent's estate administered through the Bankruptcy Court so that all creditors may share in the assets of the estate. There have been some recent criticisms of the Bankruptcy Law as suggestion for changes have been made for amendments. The National Association of Credit Men is on record as being in favor of the present law because of the underlying principle of protection to the many as against the preference of a few. The activity of the association in the development of trade acceptances is well known. An officer of the association spoke upon the subject at a recent meeting. Here again, evidence was found of the value of developing trade acceptances through the co-operation of a national organization of credit men of a membership of 20,000 representing the best business houses of the country.

George E. Allen, educational director of the Institute, also spoke.

HARTFORD

By Clarence T. Hubbard

Chapter officials are beginning to can the annual banquet as a wise investment without letting the other multitudinous diversities fall short. In other words, committees and sub-committees are doing excellent work in promoting thrift, education and publicity.

Ten entrants contested on December 21st for the Burroughs Cup in the annual adding machine contest. E. R. Barlow, then of the Fidelity Trust Co., now of the Phoenix National Bank, repeated his record of the year before and won all honors by listing one hundred checks on an electric machine in one minute and twenty-five seconds. This secured for Barlow the beautiful cup which must be won by the same participant twice in as many years. R. L. Gilnack, R. L. Buck, C. C. Bolles, W. F. Lawson and V. I. Neilson received prizes. The judges were W. P. Calder of the Windsor Trust Co.,

N. W. Larkum of the Connecticut Trust and A. D. Johnson of the Phoenix. The chairman of the event proper was W. C. Bose of the Connecticut Trust Co.

Two former magistrates of Hartford Chapter have succeeded in securing official appointments to executive positions in their respective institutions. These men will be recognized in Arthur D. Johnson and Harry Walkley, both of the Phoenix National Bank. Each man now enjoys a position as assistant cashier. Mr. Johnson was a former president of Hartford Chapter and Mr. Walkley has served as treasurer.

George Kane of the Society for Savings appeared as a lecturer at the Y. M. C. A. in a talk on Thrift. The discourse was given in connection with the National Thrift exhibit which attracted considerable interest during its display at the Y. M. C. A.

Chapter topics improve with each issue, both in get-up and material. The latest issue printed a Bank Census of Hartford in an itemized form. Editor Barlow announces that 350 people find employment in Hartford banks—eighty-four of this number holding official positions.

A regular Chapter meeting took place on January 25th. The feature was a public-speaking contest, in which various members addressed the Chapter on brief topics.

KANSAS CITY

By Porter Hansen

Enthusiasm has been running high in the Kansas City Chapter and the season's work has made progress never before equalled. As we find ourselves in the midst of this work we look into the not far-distant future, when hostilities will be called off and the boys will be taken out of the trenches for the summer, and see the completion of our most successful year. Not from the standpoint of membership and attendance, but in the light of that great purpose of this institution, namely, greater efficiency.

The work of the law class has been gone into with such thoroughness, under the supervision of Mr. Walker that a very comprehensive knowledge of the subject has been obtained by every industrious member of the class. The Kansas City School of Law has offered to the member of the Kansas City Chapter completing this course with highest honor a scholarship in their good school. We feel certain that the member wining this scholarship will rank among the foremost students of the school. Just a word in regard to the manner in which Mr. Walker conducts this law class. At each weekly meeting the members are each presented with a printed list of questions to be answered the following week. This system gives everyone a chance to know just what will be expected of him at the next meeting. Now the student being ambitious will procure an answer to every one of the questions before making his appearance in class. This furnishes him with an unlimited supply of knowledge for the final examination. Although this plan calls for a little more work than heretofore, we find that it is taking well.

The December meetings of the graduate class included the following discussions in regard to the Federal reserve bank: "Commodity Paper," by L. A. McMillan of the First National and W. R. Coulson, Commonwealth National Bank. "Farm Loans," by Geo. W. Winters of the Commercial National and F. W. Wilson of the Fidelity State Bank. "Time and Savings Deposits," by W. H. Potts of the Commerce Trust Co., "Warrants," by Horace E. Hamm of the First National Bank. On January 4th Mr. C. W. Allendoerfer conducted a general review, covering all loans and paper eligible for rediscount with the Federal reserve bank. The meeting on January 11th was spent in actual practice of Parliamentary Law under the direction of Professor Holmes.

On January 25th a debate was held between the Kansas and the Missouri members. The subject was: "Resolved, That the Number of Federal Reserve Banks Should Be Reduced to One." The speakers for Missouri in the affirmative were, James J. Swofford, Jr., Gate City National; J. R. Neal, First National and Dick W. Martin of the Fidelity Trust Co.; for Kansas in the negative, L. M. Pence, Kansas Trust Co.; E. B. Bradbury and Brack McCarter, both of the Commercial National Bank.

C. W. Allendoerfer of our city spoke before the National Association of Credit Men at Chicago on Thursday, January 20th. This day was set aside for the banking and currency committee. Mr. Allendoerfer's subject was, "Clearing House Functions of the Federal Reserve Bank."

LOS ANGELES

By A. C. Hoffmann

The thrift propaganda is on in earnest in Los Angeles Chapter and a strenuous campaign is about to be inaugurated. The progress of this movement is of particular interest to Los Angeles Chapter on account of the fact that one of its most active members was instrumental in getting it under way while Secretary of the Savings Bank Section a few years ago, and naturally all are anxious for its success. Through the efforts of the local Public Affairs Committee, the "Thrift Talks" issued by the office of the Savings Bank Section are appearing regularly each week in one of the daily evening papers.

A publicity representative has also been appointed to co-operate with E. V. Krick of San Francisco, member of the Institute Publicity Committee. News articles relative to the American Institute of Banking are being contributed to the financial journals in this section of the country, as well as to the local newspapers.

Now that the first of the year rush has subsided, the Public Affairs Committee will shortly hold another meeting and the main subject to be considered undoubtedly will be the putting into operation of lecture courses on thrift and general bank topics in connection with the Y. M. C. A.

On Friday evening, January 7th, both law classes again resumed their studies after a brief holiday vaca-

tion, negotiable instruments now being taken up, the subject of contracts having been completed.

Mr. Tappan, conducting the law course, continues to be a favorite and the attendance is satisfactory.

The regular open monthly meeting, held January 21st, was well attended and after the combined regular lecture the Hon. John P. Carter, United States Internal Revenue Collector of this district, discussed "The Income Tax Law." This proved an interesting subject and in closing Mr. Carter laid particular stress upon the fact that the banks were in a position to materially assist both the public and the Revenue Department by giving the public a better understanding of this law.

MACON
By Arthur Branan

Macon Chapter finished the commercial law course January 20th, and after a short review and examination the course on negotiable instruments was taken up. Our attendance has been good and a great deal of interest has been manifested in the work.

J. K. Hogan, one of our members, was promoted to the office of assistant cashier of the Fourth National Bank at their regular election in January. Mr. Hogan, who is a very young and promising banker, has the best wishes of our Chapter, and the Fourth National is to be congratulated upon having such a valuable man in their employ. His promotion was due to a "move up" among all the officers, due to the resignation of J. F. Heard, the president, on account of ill health.

MILWAUKEE
By H. G. Zahn

It is with a feeling of pride tinged with sadness that we say farewell to H. J. Dreher, long a dominant factor in the Milwaukee Chapter. We feel honored that he has been called to assume a position of responsibility with one of the largest banks in the country. Starting as a messenger boy in the First National Bank and latterly manager of the bond department and assistant cashier of the Marshall & Ilsley Bank, Mr. Dreher showed his worth in every position and in the execution of every duty he was called upon to perform. He is a typical self-made man, and our very best wishes go with him that he may be as successful in New York as he has been in Milwaukee.

On Friday evening, January 21st, Prof. F. H. Elwell of the University of Wisconsin, addressed the Chapter. His subject was "The Co-operation of Banker and Merchant in the Accounting System." Professor Elwell pointed out how bankers who are familiar with accounting can be of great service to the business world, especially to the small merchant by aiding and advising in their accounting system. "Too many merchants do not know where they stand financially. Their books do not show it. Not only do they use a wrong method in taking inventory, but in many cases they are unable to tell whether a certain line of goods has made a profit or has been sold at a loss. Yes, many business houses are only kept above water by their outside investments," said Professor Elwell.

NEW ORLEANS
By Norbert B. Hinckley

R. S. Hecht has been promoted from trust officer to vice-president of the Hibernia Bank & Trust Company, and I. L. Bourgeois from chief clerk to assistant cashier of the same institution. Mr. Hecht has long been prominently identified with Chapter affairs, national and local. He was one of the first twelve graduates of the Institute, and to a great extent it is due to his efforts that New Orleans Chapter has achieved much of its success. Mr. Hecht was chairman of the Program Committee of the Dallas Convention, at which time he was elected a member of the Executive Council, receiving the largest vote. In 1914–1915 he was chairman of the Educational Committee, and is at present a member of the Committee on Public Affairs.

Solomon Wexler, president of the Whitney Central National Bank, has resigned to become associated with the banking firm of J. S. Bache & Company, New York. In Wexler's departure New Orleans Chapter loses a good friend, and while we very much regret to see him leave, we extend to him also our heartiest congratulations and best wishes for his continued success.

Our debate with Birmingham Chapter on January 15th, on "Resolved, That the Establishment of a System of Branch Banks Would Be to the Best Interests of the United States," resulted in a victory for our team by a unanimous decision. However, the Birmingham boys put up a splendid fight, but they had the wrong side, viz.: the affirmative. We take off our hats to them when it comes to being good losers.

We listened with a great deal of interest to Harry Hardie talk on "Trust Companies' Facilities" on January 17th. Mr. Hardie said in part: The Trust Company is a later development in the financial world than the bank. In a new community first we have the country store, then a private banker, then a national or state bank, and as success and accumulation of wealth comes to the community we find a trust company. The Farmers Fire Insurance & Loan Company of New York, the first trust company, was granted trust powers on April 17, 1822; it is still flourishing under the title of Farmers Loan & Trust Company. According to latest figures there are for 1915, 1,777 trust companies with deposits of $6,328,454,028.34. Mr. Hardie went into details on this subject showing all the functions they perform and the great advantages of trust companies.

Classes are well attended. We have about completed Commercial Law and will have examinations in the early part of February. Immediately afterwards we will take up Negotiable Instruments.

Arrangements for the Thrift Campaign are beginning to take good shape. We have the co-operation of the newspapers and have been able to give it considerable publicity which has been quite helpful. Our first move will be in the schools. We have already secured the co-

operation of the Board of Directors of the Public Schools, and will at regular intervals give heart-to-heart-talks to the pupils, and will invite the Mothers' Clubs to be present. We also have several other plans in mind which will, no doubt, be worked out within a short time.

NEW YORK
By J. B. Birmingham

We cannot let the opportunity pass of again calling attention to some unusually attractive courses of the coming half year. The elementary course will consist of an hour each night of Business English by Dr. Whitehall, and the rest of the evening will be taken up as follows: five nights by Professor Agger of Columbia on Economics, five nights each on Practical Banking by Charles F. Minor, vice-president Columbia Trust Company, and O. Howard Wolfe, assistant cashier of the Philadelphia National Bank. Both of these men are past presidents of New York Chapter and both have acquired enviable reputations as lecturers. We consider ourselves unusually fortunate in obtaining the two best men possible for this work.

The standard banking course is especially attractive. Professor Johnson of Cornell, whose lectures have made him very popular, will continue for one hour and a half each night. The other hour and a half will be given for six nights to Loans and Credits, two nights to the Law of Bankruptcy, and seven nights to Investments. A. F. Maxwell, assistant cashier of the National Bank of Commerce, is to give the talks on Loans and Credits and we know the course will be of great benefit. The two talks on the Law of Bankruptcy will be given by Professor Gerstenberg of New York University. Hastings Lyon, who will give the Investments Course, is a man of large experience and reputation.

The progress of the standard law work is very satisfactory. Professor Edgerton is doing splendid work and the interest of the class is constantly kept at a high pitch. The bank accounting course, of which great things are expected is about to begin. The Spanish and public speaking classes are as enthusiastic as when they were first started in the fall. B. P. Gooden of the New Netherlands Bank, in charge of the post-graduate course, is leading the men in that class in a very successful manner.

The savings bank forum is the best we have ever had. The attendance is large and the speakers are excellent. On January 12th, W. E. Knox, of the Bowery Savings Bank, spoke on the "Bond and Mortgage Department," and on the 26th John J. Pulleyn, spoke on "Property and Real Estate." Mr. Knox and Mr. Pulleyn, comptrollers of the two largest savings banks in the United States, are well known speakers.

The general forum was addressed on January 5th by R. A. Philpot, who took as his subject "Pessimism vs. Prosperity." His talk was followed by an interesting discussion on the after effects of the present war. At the meeting on January 19th Wm. Noble Dickinson, president of the General Elevator Co., spoke for the second time on South America. On February 2d, R. A. Philpot of Lazard Freres will speak on "Discounts and Acceptances," and on February 16th the meeting will be addressed by William S. Kies, vice-president of the National City Bank.

Special attention is being called to a series of six lectures on "Bank Advertising," to be given by Fred W. Ellsworth, publicity manager of the Guaranty Trust Company, on Wednesday evenings from seven to eight o'clock, beginning on March 8th. The growth of bank advertising has been rapid, and this course is most timely. No one is more capable of giving it proper treatment than Mr. Ellsworth.

That Harold J. Dreher is now Assistant Cashier of the National City Bank of New York is an important announcement to New York Chapter men. We shall greatly gain by Mr. Dreher's presence and feel that we are to be congratulated.

Announcement is made that Henry Billman has been elected vice-president of the North Side Bank of Brooklyn. Mr. Billman has long been active in our Chapter and his promotion is another evidence of the value of institute training. Louis Auperin, well known as a debater and member of the educational committee, is now assistant manager of the Bronx Branch of the Corn Exchange Bank. R. G. Page, another of our members, has been made assistant trust officer of the Bankers Trust Co.

Saturday evening, January 29th, marked the fifteenth annual banquet of New York Chapter with an attendance of over 800. It was perhaps the most successful banquet in the history of the Chapter. President Seaborg's annual address was interesting and impressive. He spoke of the work of the Institute and New York Chapter's part in it. He also told of the 600 or more students of New York Chapter who were taking a great interest in the work of securing the Institute's certificate of the A. I. B. President Bean of the Institute spoke on "Preparedness of Mind" in a convincing manner. The chairman of the Senate Banking and Currency Committee, Robert L. Owen, described the rural credits bill now before Congress, and told of its probable effect on the country if it became a law. Rev. Nehemiah Boynton of Brooklyn, Ellis Parker Butler, vice-president of Flushing National Bank, Flushing, N. Y., and Dr. Francis P. Green of the State Normal School, West Chester, Pa., all gave interesting addresses filled with humor and sound advice.

SALT LAKE
By A. C. Lewis

Salt Lake Chapter now has a large and well organized class in commercial law, and considers itself very fortunate in having secured the services of Frank E. Holman as instructor. The members assemble for their regular meetings Tuesday and Thursday of each week, and the law class is held immediately after. The class period is taken up with a general discussion of the material assigned in the texts, and the exchange of ideas and

opinions keeps the interest of all keyed up to the highest pitch. Plans are under way for the publishing of a Chapter magazine.

SAN FRANCISCO
By E. V. Krick

At our monthly meeting in December a movement was inaugurated to materially increase our Chapter library. Our president, Mr. Marcus, placed the matter in the hands of a committee consisting of John Clausen of the Crocker National Bank, chairman; Earl McCargar of the First National Bank and E. V. Krick of the Savings Union Bank and Trust Company.

A subscription list was immediately prepared and started on its rounds through the several banks. As an impetus toward the desired end, A. P. Gianinni of the Bank of Italy headed the list with a subscription of $100 and a guarantee that the found would reach at least $1,000. The circulation of the list is now by no means complete, yet it totals over $750.

The Board of Governors has authorized alterations of our Chapter rooms to afford ample accommodations for the new library. The motive for this movement is to provide as complete a reference library as possible to meet the needs of our chapter members, and to install the books in a manner that will invite their use.

The regular educational activities of the Chapter are developing in a satisfactory manner. The accountancy class, under the instruction of Wm. A. Dolge, completed the course January 12th. The members are so enthusiastic over the results that it is probable that advanced instruction will be given. On January 22d the banking and finance class took an examination on the work covered up to that time. It is very gratifying to note that many of our younger bank men are availing themselves of the educational advantages afforded them.

At the regular meeting of the Forum, held on the evening of January 14th, the capabilities of our banking system were set forth in debate, the question at issue being: "Resolved, That Our Present Banking System Is Adequate to Maintain the Financial Supremacy of the United States." The affirmative was upheld by John S. Curran of the Humboldt Savings Bank and Ralph A. Newell of the First National Bank; the negative by E. V. Krick of the Savings Union Bank and Trust Company and L. W. Jenkins of the Humboldt Savings Bank.

Our Public Affairs Committee is continuing its work before the social centers of San Francisco. On the evening of January 14th, Wm. A. Day of the Savings Union Bank and Trust Company spoke at the Yerba Buena School on "The Banks and the Community." On the same evening our Chapter president, Wm. A. Marcus, gave a "Thrift" talk at the Bryant Cosmopolitan School.

SYRACUSE
By Robert B. Porter

Our president, S. Howard Fyler, who recently severed his connection with the liquidated Commercial National Bank, is affiliated with the offices of Frederick H. Hurdman. Mr. Hurdman is a public accountant, having offices in New York and this city. Mr. Fyler is known by an almost unlimited number of bankers and business men.

A continued growth and marked expansion in the business of the Trust & Deposit Company necessitated the creating of the position of auditor. The Chapter is pleased to announce that Edward Kaufmann, who has become well grounded in banking because of his experience and close application to study, was chosen for the position. Through the Chapter Mr. Kaufmann has studied efficiency and learned to put it into practice.

Professor Hill of Syracuse University favored the law and forum classes with a lecture upon the subject of "Agriculture Credits." Mr. Hill is well qualified to handle the subject, he being formerly a state bank inspector in Wisconsin and being able, through experience, to properly determine values of property.

DENVER
By Marsdon E. Weston

DENVER INVITES THE 1917 CONVENTION—"Denver for the 1917 Convention," is the slogan being passed around among Denver Chapter men. This Chapter has gone on record with a formal resolution stating that it wants the 1917 Convention, and the writer has been officially requested to announce here the invitation of Denver Chapter to the national organization of the Institute to hold its annual convention in Denver in 1917. At the regular monthly meeting of Denver Chapter, held on the evening of January 12th, the following resolution was unanimously adopted:

"*Whereas*, The logical place for a national convention of any organization should be such as to insure, by its central location, the largest possible attendance of its members,

"*And Whereas*, Denver, being about fifty hours from New York City and a like distance from San Francisco, is an ideal location for a national convention,

"*And Whereas*, The growth, activity, and present strength of Denver Chapter warrants its desire to entertain the national convention of the American Institute of Banking in 1917,

"*And Whereas*, The members of Denver Chapter of the American Institute of Banking are eager to entertain their many friends throughout the country, therefore

"*Be it Resolved*, That Denver Chapter extend an invitation to the national organization to hold the 1917 convention in this city, and that the officers of Denver Chapter be authorized to take all of the necessary steps to this end."

The ambition of Denver Chapter to entertain the national convention is based upon its belief in its ability to provide every facility which will be necessary to make the 1917 convention a striking success, not only from the standpoint of the Institute itself, but in the matter of the personal comfort and pleasure of the delegates as well. As a convention city, Denver is one of the most important in the United States, and Denver Chapter, for this reason, will have peculiar advantage in enter-

taining the national convention on account of the extensive experience of numerous civic bodies and prominent citizens, on whom Denver Chapter will be able to draw for assistance and advice. The scenic beauties of this region will be another advantage. Denver hopes, most earnestly, that this invitation will be accepted, and promises a big and successful convention.

ROCHESTER
By Harry L. Edgerton

The class in commercial law and negotiable instruments has completed the book on commercial law and will begin the volume on negotiable instruments at the next meeting, February 9th. The attendance is nearly up to the total enrollment, which is very encouraging, especially at this time of the year when interest is apt to lag.

The investment class is still attracting the attention of a large number of the men and is proving very instructive. The attendance at the business English and public address class is continuing good and is receiving very favorable comment from the officers of the various banking institutions.

On the evening of January 22d, the first informal dinner of Rochester Chapter was held at the Osburn House. We had the pleasure of having Milton W. Harrison of New York City with us. After speaking of the advantages to be gained from the course as outlined by the A. I. B., he gave the fellows a heart-to-heart talk on the essential points to be followed in their daily work and his motto of "Perseverance plus a smile equals success" has been adopted by many of the men in the Rochester banks. Mr. Harrison's address was well received by the men, and we trust that we may have the pleasure of having him with us again.

The other speaker of the evening was Professor Meyer Jacobstein, professor of economics at the University of Rochester, who spoke briefly upon such topics connected with thrift as had come under his personal observation.

Plans are now being made for a "Preparedness" dinner, to be held sometime during the month of February, when it is expected that men prominent in the army and navy life of the city will address us upon the most timely subject.

It is with pride that we chronicle the advancement of Frederick D. Whitney, ex-president of Rochester Chapter and delegate to the Dallas Convention, of the Fidelity Trust Company of this city to a position with the bond department of the Guaranty Trust Company with headquarters in this city. Always active in Chapter affairs and heartily interested in the betterment of Rochester Chapter, Mr. Whitney's advancement represents the result of persistent effort. We also wish to mention the selection of an Institute man, Robert D. Oliver, for the position of assistant cashier in the State Bank of Williamson, N. Y. Mr. Oliver has been an Institute man for many years.

PITTSBURGH
By P. F. Tessmer

The first annual banquet held on January 28th has been the talk of Chapter members for several weeks past and to show the interest aroused it is only necessary to state that the Pittsburgh Chapter atended en masse, over 500 being present. As President Mullen remarked, it seems very strange that Pittsburgh should wait fifteen years to hold its initial banquet, although the subject of debate for several years past. Our president and banquet committee can well afford to feel elated at the success crowning their efforts, as the writer heard nothing but expressions of approval on all sides. Just a case of everybody telling everybody "It was great! Glad I went!" etc.

The speakers were men of prominence and their remarks, bearing on matters that occupy public attention at the present time, were partially quoted in the Pittsburgh papers. The first speaker, J. Walter Lord of Baltimore, spoke on "Preparedness," and he convinced his audience that the only neutrality which maintains its integrity is an armed neutrality. The second speaker, Dr. J. T. Holdsworth of the University of Pittsburgh, spoke on "Educational Dividends of Chapter Work" and had no trouble proving to his hearers the worth of educational dividends over ordinary dividends. Dr. Holdsworth was followed by Dr. C. B. Meding of New York City, who closed the speaking program with a thirty-minute analysis of "America and Americans." His address was (to quote the Pittsburgh *Post*) "Brim full of cutting satire and epigrams," but he never failed to make his point clear and his remarks merited deep thought and careful consideration, and were we privileged to hear him often his talks would tend to give us higher ideals and ambitions.

The musical program was elaborate and real "pep" was in evidence when everybody, including our first president, D. C. Wills of Cleveland, joined in singing the A. I. B. song.

PHILADELPHIA
By Norman T. Hayes

Philadelphia Chapter is more than happy to announce that through the generosity of the bankers of this city we have been able to obtain permanent quarters. Our new home is in the Horner Building on Chestnut Street between Ninth and Tenth Streets, and consists of a suite of three spacious rooms which will take care of all of our classes and most of our meetings.

We are very proud of the interest shown in our classes this year. One hundred and one men took the mid-year examination in commercial law, which sets a record for this Chapter. Our course in business English and public speaking, which is an innovation this year, has more than exceeded our expectations, and the class is having an average attendance of almost 100 per cent. We are going to have a public-speaking contest on March 17th and a preliminary contest on March 6th. A number of the members of the class have enrolled. W. W. Allen's class in negotiable instruments is also

making encouraging strides and the averages made by the men in the mid-year examination are very good.

Our regular January meeting was "New Jersey Night" and was a house warming for our members from Jersey. The speakers were George M. LaMonte, Commissioner of Banking of the State of New Jersey, and deputy reserve agent of the Federal Reserve Bank of Philadelphia, and Ralph W. E. Donges, president of the Public Utilities Commission of New Jersey. Mr. LaMonte spoke on "A Bank Superintendent's Problems"; while Mr. Donges discussed the "Regulation of Public Utilities." Both talks were exceptionally interesting and brilliant.

Friday evening, February 25th, is the date set for the annual debate between New York and Philadelphia Chapters. The following timely subject has been chosen: "Resolved, That the ownership of merchant vessels by the United States Government would be detrimental to the best interests of this nation." The debate will be held in Philadelphia and we will have the affirmative side.

The "Members Night" meeting on Friday evening, January 21st, was a particular success. Walter K. Hardt, a fellow member who has recently been elected vice-president of the Fourth Street National Bank, spoke on the "Loan Department" and followed up his talk by answering a number of questions. It was the best meeting of its kind we have ever held.

Friday evening, January 28th, was "Ladies' Night." This event was another success. A fine recital was given by the best quartette in the city, composed of Mrs. Hotz, Marie Stone Langstone, Henry Gurney and Henry Hotz, who were assisted by Hans Kindler, cellist of the Philadelphia Orchestra. Dancing followed the concert, and continued until well into the next morning. It was a representative gathering, as many old and new members were present. It was held in the "Rose Garden" of the Bellevue-Stratford, and we are indebted to the hotel management for the excellent accommodations.

Our annual banquet will be held in the ball room of the Bellevue-Stratford on Saturday evening, March 4th, and judging from the way requests for tickets are coming in, we are going to once more be over-subscribed. We were able to accommodate almost 800 last year, but this is our limit.

MINNEAPOLIS

By Charles E. Rose

On the evening of January 13th Minneapolis Chapter held a regular dinner meeting, which in point of attendance was a record breaker. About 225 members, among them a number of bank officers, had the pleasure of listening to two very interesting addresses. The Honorable Frederick C. Stevens of St. Paul, who was for twelve years a member of the House Committee on Military Affairs, spoke on "Preparedness" from the military standpoint, and on account of his practical knowledge of this important question of the day his opinions are particularly valuable.

"Industrial Preparedness" was the subject of Geo. D. Dayton, a prominent merchant of Minneapolis, who stated that healthful industrial conditions were as necessary as satisfactory military conditions. "The United States has the bulk of the gold of the world," Mr. Dayton said. "When the war is over there is bound to be a reaction from the present prosperity and the nation must be prepared to meet any emergency. The European countries will want to get back their gold and that will mean that European manufacturers will become active competitors for American trade, which will result in lower prices and lower wages in Europe. Germany especially may be looked for to make efforts for trade extension and German ingenuity and thrift are well recognized. From all indications the fight for trade will be a test of brains."

Our members who are taking educational work have taken examinations in the first half of the year's work and are ready to take up the second half. The law class covered the subjects of contracts, agency and sales, and will continue the work with a study of negotiable instruments. Mr. Sinclair, instructor of the law class, has found it necessary to drop this work owing to pressure of business affairs, and has been succeeded by Mr. Smiley, who is connected with the extension division of the University of Minnesota and is well equipped to take charge of this class.

The committee on public affairs is working hard to make the class in public speaking a success. The first results were realized when Mr. Brombach spoke on the subject of "Thrift" before the students of the Dunwoody Institute. We hope before long to have a number of men capable and willing to carry on this work.

We were exceedingly gratified with the action taken by the Executive Council of the Minnesota Bankers Association at a recent meeting when it endorsed the work of the A. I. of B. by adopting the following resolution:

"Resolved, That the special attention of each member banker be directed to the educational facilities provided by the American Bankers Association, in the American Institute of Banking, and that they be urged to offer the same inducements to their employees to take the correspondence course of studies as the banks in the cities offer their employees, *i. e.*, reimbursement of amount of cost upon successful completion of the course, also that the Minnesota Bankers Association offer to any employee of any member bank, excepting banks in Minneapolis, Saint Paul and Duluth, who obtains the Institute certificate, a suitable and properly inscribed medal."

A great share of the credit for this action must go to G. H. Richards, secretary of the Minnesota Bankers Association and an active member of Minneapolis Chapter, as well as a former national president of the Institute. He has never ceased to take an active interest in Chapter affairs, which is evidenced by his support in this instance.

The first issue of the Minneapolis Chapter Bulletin is just off the press, and we hope it will result in acquainting Minneapolis bankers more fully with the organization, which is bending its efforts toward the promotion of banking interests.

BANKERS HEALTH COMMISSION

The Bankers Health Commission is a corporation conducted without profit for the purpose of (1) promoting physical culture designed to secure healthfulness and increase efficiency among bank officers and employees; (2) providing health resorts where invalid bankers may obtain suitable accommodations on favorable terms; (3) furnishing information regarding personal and public hygiene. The officers of the Commission are Edmund D. Hulbert, chairman; Alfred M. Barrett, vice-chairman; Continental and Commercial Trust and Savings Bank of Chicago, treasurer; Merchants Loan and Trust Company of Chicago, trustees of reserve fund; George E. Allen, 5 Nassau Street, New York City, secretary.

ANNUAL MEETING OF THE COMMISSION

The annual meeting of the Bankers Health Commission was held in Chicago, January 4th. Section 1 of the By-Laws was amended so as to read as follows:

"The membership of this corporation shall be divided into two (2) classes—institutional members and individual members—whose membership shall be in perpetuity. Any bank, trust company, or savings institution may become an institutional member by payment of dues based upon combined capital and surplus in accordance with the following schedule:

Capital and surplus less than	$100,000	$10
$100,000 and less than	250,000	20
250,000 and less than	500,000	25
500,000 and less than	750,000	30
750,000 and less than	1,000,000	40
1,000,000 and less than	5,000,000	50
5,000,000 and less than	10,000,000	75
10,000,000 and over		100

Any director, officer or employee of a bank, trust company or savings institution may become an individual member in perpetuity by payment of dues of ten dollars. At least one-half of the revenue received from membership dues shall be segregated in a reserve fund."

Health Resorts

At health resorts affiliated with the Commission institutional and individual members are privileged to maintain any suitable person or persons on such terms and under such conditions as the Commission may obtain or provide. To fulfill the purposes of the Commission in regard to health resorts, it is necessary to consider not only the infinite variety of invalidism among bankers, but also the climatic characteristics of different regions and the cost of transportation between different localities. Conditions thus presented can only be met by an extensive system of regional resorts, and in the judgment of the Commission it is expedient at the present time to make alliances with existing institutions rather than to attempt to own and operate such enterprises. In accordance with such policy, the Commission has thus far made arrangements for the accommodation of invalids at Albuquerque in New Mexico, Excelsior Springs in Missouri, Idaho Springs in Colorado, and Saranac Lake in New York.

Calisthenics for Bankers

The physical culture provided by the Bankers Health Commission consists of simplified exercises issued in the form of a poster printed on cloth. Such exercises are intended not to make athletes but simply to develop the fundamental functions of the body. No apparatus is necessary. No contortions are prescribed. Two or three minutes nights and mornings is all the time required. The exercises thus provided are five in number. The poster costs fifty cents in silver or postage stamps. Remittances should be made to the Bankers Health Commission, Five Nassau Street, New York City.

FLETCHER'S DESCRIPTION OF FLETCHERISM

Horace Fletcher is described as a man "old at forty and young at sixty-five." He prescribes and practices certain precepts, which he describes as follows:

1. Never eat except when "good and hungry."

2. Never eat when worried or angry.

3. Eat only what really tastes good to you.

4. Exhaust all of the good taste from all food, liquid or solid or mushy, before swallowing. Don't swallow any food until first it is like a pulp in your mouth and has been fully tasted. When this is so the food will swallow itself.

5. Leave a little bit of the appetite as a "nest egg" for the next meal.

6. Eat always somewhat less than you can; but eat what you do a little more, and so get far better results in the way of both pleasure and nutrition. It isn't how much you eat that does you good, it is how you eat what you do eat.

7. If you have only five minutes in which to eat, and do not expect to have another chance for a long time, don't hurry. Be just as deliberate as if you had an hour to eat in. Taste completely each morsel that you do eat. Remember that taste is the best aid and assurance of digestion, and digestion is the measure of nutrition. A small amount of food thoroughly masticated is better than much more which is swallowed unmasticated.

That's nearly all, but not quite all. Mental conditions which are under easy personal control have much to do with digestion. That's what is generally called "Fletcherizing." Don't believe folks, please, when they

say "Fletcherizing" means that you must count forty or fifty when you put a morsel in your mouth, before you swallow it. Or that you must chew each morsel forty or fifty times. Don't eat by such a yard-stick; use your own common-sense. This simple little rule, I repeat, is all you need: Don't swallow anything until it is first a soft pulp in your mouth, and the taste there is in it has been fully exhausted.

So really, "Fletcherism," as applied to nourishment, is summed up in this very convenient rule: Eat what you like and when you like; only eat it right—that is, "Fletcherized."

Of course this isn't all there is to health. It is a large part. Yet no amount of "Fletcherizing" will do you much good if you go to the table with some worry on your mind. You must be cheerful while eating. Better miss a meal or two and let the mental fog clear up, as it surely will do if you starve it. Worry and anger disturb digestion. But remember that these emotions start in the mind, and can be and are controlled by the mind. So here are two rules, and these do mean the whole of good health:

1. Mind the mind.
2. Mind mastication.

And believe me, Nature will do the rest. Appetite will then be able to act in normal manner.

Nor does it make the slightest difference how old or young you are. "Fletcherizing" is as good for one as for the other; and for the rich as well as the poor.

PHILOSOPHY OF THE STOMACH

Did you ever have stomach trouble? asks the Indiana *Health Bulletin*. If you have, you know what a humbler it is, how effectually it humbles one's pride, how thoroughly it dissipates one's egotism. Yet stomach trouble is not a wholesome discipline, for the longer it continues the grouchier and more impossible we become. The stomach these days is a sort of garbage can. It is suspended by straps immediately south of the thoracic cavity, and being connected with that funnel called the mouth by a good strong tube, it readily catches chunks of dead animals, lumps of poorly baked bread, boluses of vegetables, ices, pickles, soggy pies, weinerwurst, booze and muddy coffee. The tobacco eaters add that portion of tobacco juice which they don't use for flooding sidewalks.

There is no more patient and long-suffering organ in the human body than the stomach. It is amazing how long it will stand abuse, but once it kicks back, then look out, for something is coming to you sure. You may hit it with an unkilled railroad sandwich, scorch and burn it with pepper and mustard, irritate it with salt and vinegar, chill it with ice cream, ice water and mint juleps, pour stinking mineral water into it, shrink it with rotgut whiskey, assault it in any old way, and it will work uncomplainingly for a long time; until—alas! and alack! some day it will go on a strike, and then the doctor for you, or you run to the drug store and proceed to souse the poor thing with patent medicines. Of course they do harm, although temporary relief may be secured. So the world becomes dark and life is a failure to you, but you quit bolting and gorging, that's sure; for that much sense will come finally to any kind of a fool. Oh, that we could have the good sense to know, when young, that the stomach should not be used for a garbage can. Then we would not load our tables with foods, some good, some bad, and then chase them half chewed down our gullets with black coffee or ice water.

"Full many a man has lost his head
Through eating soggy, half-cooked bread,
And he who would his kidneys save
Had best avoid the whiskey wave.
Your heart and nervous system, too,
Are surely worth a heap to you.
Why prod them, then, with nicotine,
And make believe all is serene?
In tobacco heart there is no wealth,
And what is more, there's weakened health.
Oh! foolish man, when thus you choose
Your soul and body to abuse;
You'll realize, some pleasant morn,
That you have raised an awful storm."

LITERARY MICROBES

It is better to sleep in the fresh air than in a fresh grave.

A careless spitter with a little cough is worse than a crank with a gun.

A light overcoat is better than a heavy cold.

Heredity plays but second fiddle in tuberculosis.

A laugh is worth a hundred groans on any market.

A stuffy room is the germs' best ally.

A little ventilation is more effective than much quinine.

There never was so cold a day but a little fresh air was healthful.

Cool weather does not call for closed windows.

The unventilated gas stove is a menace to health.

When in doubt, ask your doctor.

The neglected cough is the season's greatest danger.

Keep the feet warm and the head cool.

How to Sleep

Get enough physical exercise to tire you.

Go to bed at the first urgent invitation of Morpheus.

Be sure the bed is comfortable and the room quiet.

Think pleasant thoughts.

Don't have the head of the bed lower than the foot.

Eat supper at least two hours before retiring. Eat a light supper and take nothing indigestible.

Don't worry and don't take dope.

If you don't get to sleep right away and if you don't sleep quite as much as you think you should, remember that even lying awake in bed is very restful.

War and Tuberculosis

When Governor of New York Charles E. Hughes said: "If we had through the misfortune of war, or the sudden rise of pestilence, or through some awful calamity, the destruction of life that annually takes place on account of tuberculosis, we should be appalled, and mass meetings would be held in every community and demand would be made that the most urgent measures should be adopted. It is only because we are accustomed to this waste of life and are prone to think that it is one of the dispensations of Providence that we go on about our business, little thinking of the preventative measures that are possible."

Good Resolutions

I will ventilate.

I will not wilfully spread contagion among my fellow-men.

I will endeavor to make my neighbors' front yards envious of my back yard.

I will not drive hob nails into my liver by the excessive use of alcohol.

I will endeavor to get more of God's good sunshine and pure air.

I will hold health in higher esteem and will try so to live that I, my family, my neighbors, my friends, may be healthier, happier and more content.

I will interest myself in securing larger appropriations for public health work in order that the health and life of every member of my family may be more efficiently safe-guarded.—*Chicago Bulletin.*

Uncle Walt on the Fly

The early fly's the one to swat. It comes before the weather's hot, and sits around and files its legs, and lays at least ten million eggs, and every egg will bring a fly to drive us crazy by and by. Oh, every fly that skips our swatters will have five million sons and daughters, and countless first and second cousins, and aunts and uncles, scores of dozens, and fifty-seven billion nieces; so knock the blamed thing all to pieces. And every niece and every aunt—unless we swat them so they can't—will lay enough dodgasted eggs to fill up ten five-gallon kegs, and all these eggs, ere summer hies, will bring forth twenty trillion flies. And thus it goes, an endless chain, so all our swatting is in vain unless we do that swatting soon, in Maytime and in early June. So, men and brothers, let us rise, gird up our loins and swat the flies! And sisters, leave your cozy bowers where you have wasted golden hours; with ardor in your souls and eyes, roll up your sleeves and swat the flies!—*Walt Mason.*

Pneumonia

Pneumonia, says the *Kansas Health Almanac*, kills more people every year than any other human malady, not even excepting consumption. Pneumonia is a germ disease, and is caused by a small organism similar in some respects to those causing other diseases with which we are familiar.

The germs of pneumonia get into the lungs through the mouth, but not every man who has the germs in his mouth will have pneumonia. If he did, practically all of us would have the disease during the winter. It is only when the system is "run down" that the germs do their dread work. These are the things which make pneumonia flourish:

1. Excessive drinking of alcoholic liquors.
2. Unusual exposure to extreme weather.
3. Exposure of old persons or persons suffering from other diseases.
4. Living and sleeping in badly ventilated rooms.

To try to avoid it:

1. Do not drink alcoholic liquors.
2. Dress warmly but not too thickly.
3. Do not needlessly expose yourself.
4. Have abundant fresh air in your living and sleeping rooms.
5. Do not have your rooms too hot and then go into the open air unprotected by wraps.
6. If exposed to extreme or rough weather, and wet or numb, undress in a warm room, rub off with a rough towel until the skin glows, then go to bed and stay there for several hours.
7. Avoid overeating and keep the bowels open.
8. Keep your feet warm and your head cool.
9. A moderate amount of brisk exercise in the outdoor air daily.
10. Avoid dust and other irritating substances of the upper air passages.

Overcrowded Street Cars

A street car crowded to its greatest capacity, all the seats occupied, the aisles jammed with people clinging to straps, swaying against each other, many of them coughing and sneezing, is exceedingly dangerous to the public health. Under such conditions the air breathed is filthy and germ-laden from diseased throats and lungs and head colds in active stages. One or two small ventilators, even if always open, are not sufficient. All that is necessary to improve this condition is to put more cars on during the rush hours and allow only a certain number of passengers to each car. They should not be allowed to stand in the aisles. In most of the cities in Europe the street cars are plainly marked with the seating capacity of the car. When the car contains this number of passengers no more are taken. If European city governments have fully and effectively succeeded in regulating their street car accommodations, why cannot we do it in this country?—*Bulletin of the Department of Health of the City of Louisville.*

MEMBERSHIP CHANGES

REPORTED DURING JANUARY, 1916

Arkansas	Harrison	Peoples Bank changed to Peoples National Bank.
	Marshall	Marshall Bank converted to First National Bank.
California	Berkeley	South Berkeley Bank succeeded by Berkeley Bank of Savings and Trust Company, South Berkeley Branch.
	Los Angeles	Traders Bank consolidated with California Savings Bank as California Savings & Commercial Bank.
	Palisades	Bank of Palisades sold its business to Palisades National Bank.
Connecticut	Hartford	Francis R. Cooley changed to Francis R. Cooley & Company.
Idaho	Mountain Home	Stockgrowers State Bank merged with First National Bank.
Iowa	Afton	Savings Bank of Afton out of business.
	Garden Grove	C. S. Stearn's Commercial Bank changed to C. S. Stearn's State Bank.
Kentucky	Paris	Agricultural Bank succeeded by Bourbon-Agricultural Bank & Trust Company.
Maine	Portland	Casco National Bank and Mercantile Trust Company consolidated as Casco Mercantile Trust Company.
Maryland	Easton	Farmers & Merchants National Bank changed to Farmers & Merchants Bank.
Mississippi	Ellisville	Bank of Ellisville purchased by Merchants & Manufacturers Bank.
Nebraska	Blair	Blair Nat'l Bank succeeded by The State Bank.
North Carolina	Wilmington	American National Bank consolidated with Atlantic Trust & Banking Company as American Bank & Trust Company.
North Dakota	Buxton	State Bank of Buxton succeeded by First National Bank.
	New Leipsig	Security State Bank succeeded by New Leipsig State Bank.
Oregon	Union	Union National Bank succeeded by First National Bank.
Pennsylvania	Philadelphia	Manufacturers National Bank taken over by Union National Bank.
South Carolina	Batesburg	Citizens Bank converted to Citizens National Bank.
	York	First National Bank, Yorkville, now First National Bank, York.
South Dakota	Alcester	Farmers & Merchants State Bank changed to Farmers & Merchants National Bank.
Texas	Alice	Alice State Bank changed to Alice State Bank & Trust Company.
	Wellington	City National Bank converted to City State Bank.
Washington	Stanwood	State Bank of East Stanwood, now State Bank of East Stanwood, East Stanwood.
West Indies	Isle of Pines. Nueva Gerona	Isle of Pines Bank closed.

NEW AND REGAINED MEMBERS FROM JANUARY 1 TO 31, 1916, INCLUSIVE.

Alabama.....First National Bank, Dothan (regained).
Bank of Florala, Florala (regained).

Arizona.....Arizona Central Bank, Oatman.
Payson Commercial & Trust Co., Payson.

California.....Peoples Savings & Commercial Bank, Chico.

Colorado.....Cheyenne County State Bank, Cheyenne Wells.

Connecticut.....Stratford Trust Company, Stratford.

Georgia.....First National Bank, Dalton.
Ben Hill National Bank, Fitzgerald (regained).
Citizens Bank, Helena (regained).
Bank of Lexington, Lexington (regained).
Bank of Milan, Milan (regained).

Idaho.....First National Bank, Bonners Ferry.

Illinois.....First National Bank, Arenzville (regained).
Lake & State Savings Bank, Chicago.
Second National Bank, Freeport.
First National Bank, Granite City (regained).
Lombard State Bank, Lombard.
Rutland State Bank, Rutland.
Smithfield State Bank, Smithfield.
Peoples Trust & Savings Bank, Streator.
West McHenry State Bank, West McHenry.

Indiana.....First National Bank, Odon.
West Baden National Bank, West Baden.

Kansas.....Farmers & Merchants State Bank, Claflin.
Exchange National Bank, Cottonwood Falls.
Farmers & Drovers Bank, Council Grove.
Mound Valley State Bank, Mound Valley (regained).
Farmers State Bank, Sylvan Grove.
Wright State Bank, Wright.

Kentucky.....Carrollton National Bank, Carrollton.

Massachusetts.....Tucker Anthony & Company, Boston.

Michigan.....Birch Run State Bank, Birch Run (regained).
Central State Bank, Jackson.
Industrial Exchange Company Bank, Lansing.
First National Bank, Quincy.

Minnesota.....Citizens State Bank, Grygla.
Hancock National Bank, Hancock.
McGregor State Bank, McGregor.
First National Bank, Parker's Prairie.
Farmers State Bank, St. Cloud.
First National Bank, Wheaton.
First National Bank, Woodstock.

Mississippi.....Commercial Bank, Woodville.

Missouri.....First National Bank, Cassville.
First National Bank, Lebanon.
State Bank of Sugar Creek, Sugar Creek.

Montana.....Hingham State Bank, Hingham.
First State Bank, Libby.
First National Bank, Stevensville.

Nebraska.....State Bank of Alexandria, Alexandria.
State Bank of Bartley, Bartley.
State Bank of Bladen, Bladen.
Farmers State Bank, Cozad.
Farmers & Merchants Bank, Deshler.
Bank of Eagle, Eagle.
First National Bank, Elgin.
Cedar County State Bank, Hartington.
First National Bank, Hayes Center.
First State Bank, Hordville.
Farmers State Bank, Lewellen.

Nebraska—*Cont.*...First National Bank, Loomis.
Farmers & Merchants Bank, Milligan.
Republican Valley Bank, Naponee.
Jones National Bank, Seward.
First National Bank, Stuart.
Bank of Union, Union.
Farmers and Merchants Bank, Verdon.
Farmers & Merchants Bank, Walton.

New York.....Black Rock Bank, Buffalo.
Buffalo Savings Bank, Buffalo.
Bank of Corfu, Corfu.
Livingston County Trust Company, Geneseo.
First National Bank, Greenwood.
First National Bank, Hempstead.
Lake Placid National Bank, Lake Placid.
Callaway Fish & Co., New York.
Tucker Anthony & Company, New York.

North Carolina.....Farmers & Merchants National Bank, Ayden.
National Bank of Greenville, Greenville.
First National Bank, Lumberton (regained).

North Dakota.....Bank of Carbury, Carbury.
Farmers State Bank, Halliday.
Dunn County State Bank, Killdeer.
Scandinavian American State Bank, Van Hook.

Ohio.....First National Bank of Cheviot, Cincinnati.
Claude Meeker, Columbus (regained).
Farmers & Merchants Bank, Leesburg.
Minerva Banking Co., Minerva.
Monroe National Bank, Monroe.
Citizens National Bank, Ripley.
First National Bank, West Milton.

Oklahoma.....Bank of Kellyville, Kellyville.
First National Bank, Luther.
Le Flore County Bank, Poteau.
Citizens National Bank, Sallisaw.
National Bank of Verden, Verden.
First National Bank, Vian.

Oregon.....Bank of Commerce, Oregon City.

Pennsylvania.....Dillsburg National Bank, Dillsburg.
Elverson National Bank, Elverson.

South Carolina.....Charleston Chapter, American Institute of Banking, Charleston.
Bank of Manning, Manning (regained).
Merchants & Planters National Bank, Union.
Bank of Whitmire, Whitmire.

Tennessee.....City National Bank, Johnson City.
Bank of Monterey, Monterey (regained).
Merchants & Planters Bank, Newport (regained).

Texas.....El Paso Chapter, American Institute of Banking, El Paso.
Citizens National Bank, Plainview.
Army Bank of Fort Sam Houston, San Antonio.

Virginia.....Peoples Bank of Elba, Gretna.

West Virginia.....Beverly Bank, Beverly.
Bank of Wyoming, Mullens.
Peoples Bank of Philippi, Philippi.

Wisconsin.....Bank of Boyceville, Boyceville.
Bank of Casco, Casco (regained).
First National Bank, Rib Lake.

Canada, Ontario...The Royal Bank of Canada, Toronto.